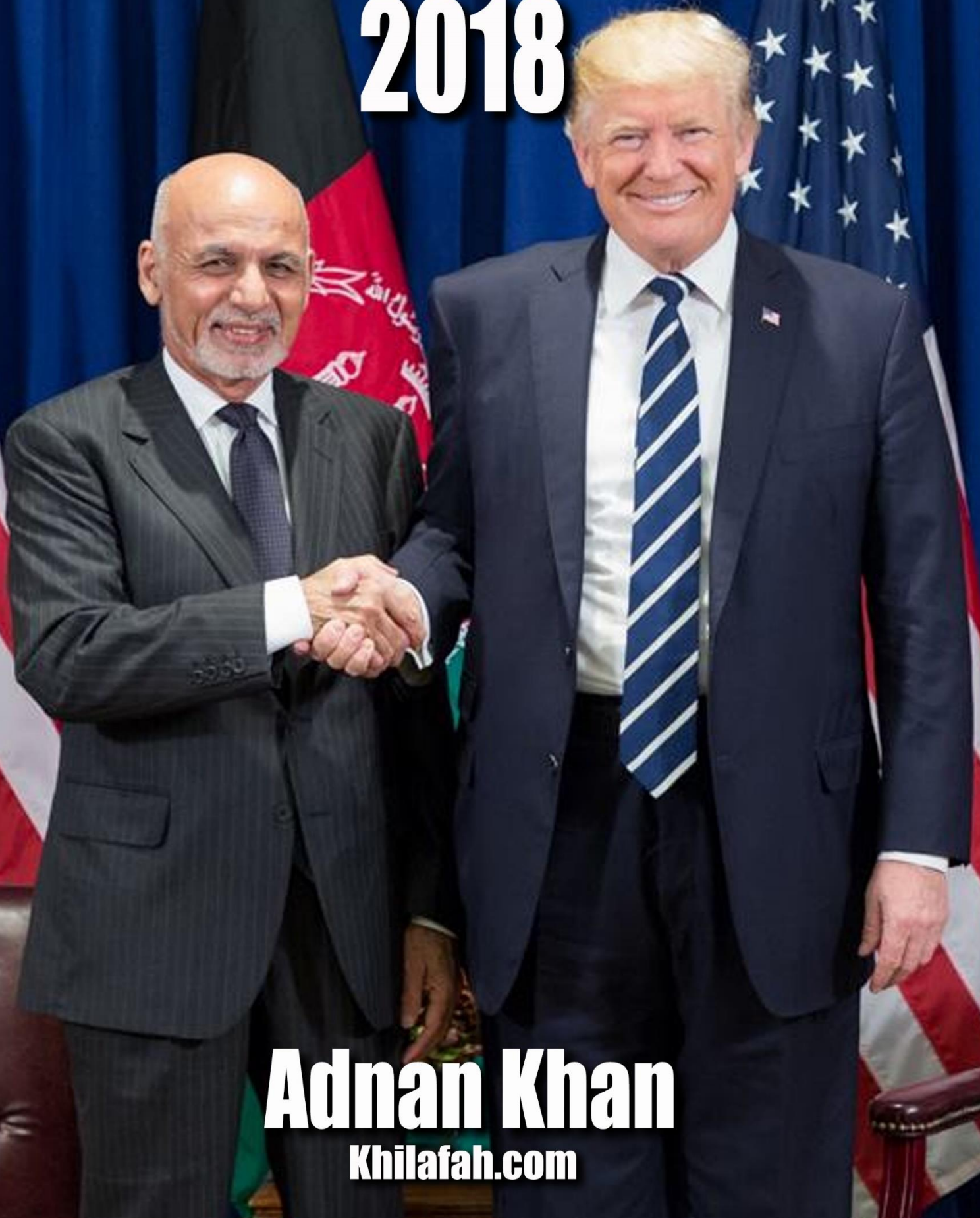


# STRATEGIC ESTIMATE 2018



**Adnan Khan**  
**Khilafah.com**

***The US-backed framework of international order established after World War II is fraying and may even be collapsing, leading the United States to lose its position of primacy in world affairs. The world has entered a fundamentally new phase of transformation in which US power is in decline and the international order is unravelling.***

**At Our Own Peril, US Dept of Defense (DoD), Risk Assessment in a Post-Primacy World,  
June 2017<sup>1</sup>**

# Introduction

*Strategic Estimate* is Khilafah.com's annual assessment of the global balance of power. In our assessment of 2016, we concluded the US remained the world superpower and maintains a balance around the world which protects America's array of strategic interests.

Reality TV personality, billionaire and for the first time in a political office – Donald John Trump was inaugurated as the 45<sup>th</sup> president of the United States of America in 2017. Trump ran for office on a campaign of retrenchment - America first, with a host of populist positions that included ending US wars, renegotiating political and economic agreements and changing relations with both China and Russia. Trump's first and probably America's most strategic issue was dealing with what is now America's longest ever war, now 17 years in Afghanistan. Trump revealed a new plan; in *Strategic Estimate 2018* we assess this strategy. Trump has also been busy with North Korea with much bluster and threats against its nuclear program; in *Strategic Estimate 2018* we assess where the stand-off is and its implications. The US has persisted in shaping conflicts within Ukraine, Libya, the South China Seas, Syria and Iraq albeit with mixed success; we assess what this means for America's position as the global hegemon.

In 2017 Russia worked to insert itself into a number of international arenas including ones where the US is active. From Libya to Syria to Afghanistan in 2017 Russia utilised a hybrid strategy of presenting itself as a global player who should be taken seriously. In *Strategic Estimate 2018* we assess how successful Russia has been in these attempts and what this means for the global balance of power. Putin has now been in power for two decades. He has constructed a system which has seen competing powers within Russia balanced by his statecraft and has adapted to potential threats against his continued rule. But opposition to Putin's rule is growing and in 2017 the Kremlin began laying the architecture that will keep the security establishment in power with elections due in 2018.

2017 saw China gear up for its 19th Party Congress, which takes place every five years. The summit assessed the country's performance since the previous conference and set goals for the country's political, economic and diplomatic future. China stands at a critical juncture in its three decades long development. Its strategy of managing the next phase of its development, the election of various committees and retiring of many politicians as well as the position of Chinese premier Xi Jinping all took place in 2017. What these all mean and their implication are assessed in *Strategic Estimate 2018*.

Old rivals China and India stood off at 14,000 feet above sea level in the perpetually harsh climate of the Doklam Plateau in the Himalayas. Both countries are considered growing powers and have a long history of disputes and wars, despite the increase in trade relations in the last few decades. The dispute showed once again that old rivalries and claims have not been forgotten and remain central to both nations. *Strategic Estimate 2018* analyses the conflict and what it means in the region.

2017's elections in key EU countries such as Germany, France and the Netherlands brought the bloc's political processes to a standstill. Once the elections were over, reform of the union has gained full speed as the union suffers from various challenges looking to split from the union. But the discussions of reform highlighted once again the fundamental differences among European Union members. Catalonia's attempt to separate from Spain once again highlighted the problems at the centre of Europe as regions within nations look to breakaway.

2017 marked a decade from the beginning of the global economic crisis. Many of the underlying problems that caused the crisis are still with us today whilst the financial practices that caused much of the crisis have reappeared under different names and guises. Like much of the past decade, protectionism continued to manifest in trade, investment and technology relationships across the global economy. The US leads the charge with the renegotiation of NAFTA. *Strategic Estimate 2018* analyses what impact this will have on the global economy as well as the policies that have evolved due to the global economic crisis.

North Korea was in the headlines once again in 2017. The rhetoric from both the US and North Korea increased quite dramatically throughout 2017 with both countries threatening to bomb the other back to the Stone Age. North Korea tested its nuclear weapons and ballistic missiles, including an Intercontinental Ballistic Missile (ICBM). The narrative is that a hermit runs a secret police state in North Korea who is ferocious, weak and crazy, all at the same time. Kim Jong-un, like his father and grandfather before him is considered to be holding the world to ransom by building a nuclear weapon, and he must be stopped. As North Korea is not integrated into the global economy it has no way to influence the narrative being defined for it. For this reason *Strategic Estimate 2017* has chosen North Korea as 2018's nation to profile.

The position of the US as the global power is now seriously in question. Surveys, reports and thinkers from across the political spectrum view the US as a power in decline. With the rise of both China and Russia it is undeniable that the US faces its most significant challenge to its position as the global power since the collapse of the Soviet Union. In *Strategic Estimate 2018* we assess the sources of US power, their status and the challenges being posed to America by its rivals.

What follows' *in sha allah* is the author's opinion and assessment of 2017 and the trends for 2018 and beyond. Like any assessment, they are estimates and forecasts.

Adnan Khan  
25 Rabi' al-thani 1439 AH  
11<sup>th</sup> January 2018 CE





# United States

*The US presidential election in 2016 led to much analysis on America's various global plans and what was working and what was not. Like his predecessor before him, Donald Trump received much attention despite the fact that the US president faces a plethora of limitations, irrespective of what he may believe and present as policy. Trump took over a US that had been engaged in decade long wars which the US public have grown wary of and with a number of US arenas in a mess*

## President Trump

When Donald Trump first walked into White House in January 2017 as US president, unlike almost all of his predecessors he was not a politician. In fact he had never held political office and as the presidential debates showed he possessed nothing in terms of policy aside from a few sound bites that were at best entertaining but almost impossible to implement. The US public were fed up with seasoned politicians saying one thing but looking after their own pockets and friends in the corporate world. Disillusioned by the democracy in the US the public was looking for an anti-establishment figure that would go against the grain. This election offered the worst of all possibilities and many voted for the lesser of two evils.

Trump's main foreign policy positions were to work with Russia; he believed he could do business with Putin. Trump spoke of the need to deal with China, who was manipulating its currency at the expense of US consumers. For Trump, dealing with China included re-looking at tariffs, intellectual property and bringing jobs back to American soil. NATO was obsolete and other multilateral institutes according to Trump were not working for the US as its allies were not picking up the tab. Trump presented himself as anti-establishment and someone who represented the true American populace who lost their jobs to China and who the political elite neglected. His pitch was that he

was part of the alternative right, who believed nationalism came before globalization and American disengagement coming before the needs of corporate America's foreign profits.

But what Trump didn't seem to realise, or just didn't want to know is that the US president has many limitations. Power in the US is dispersed over various institutions which act as a barrier to any president thinking of driving through policies. The US president is a transitional position, in the sense that the specific president deals with the same underlying issues, rather than a different set of issues. Successive US presidents have to deal with maintaining US global interests, dealing with both global and regional threats and maintaining the country's dominant position. Considering Trump had no political experience he would have to gather numerous advisors around him which will effectively make him redundant. The world didn't have to wait long for Trump's U-turns. In fact, on April 12<sup>th</sup> 2017, Trump reversed his position on a number of foreign policy issues.

*"But what Trump didn't seem to realise, or just didn't want to know is that the US president has many limitations. Power in the US is dispersed over various institutions which act as a barrier to any president thinking of driving through policies."*

Trump made so many statements in support of Russia during his campaign that many considered Russia to have influenced the outcome of the Presidential election. Trump praised the ruling capabilities of Vladimir Putin and mentioned on more than one occasion that he got on well with Putin. When Trump announced Rex Tillerson as US Secretary of State (who at the time was leading ExxonMobil and had significant contracts in Russia) he positioned himself as someone who would be able to work and deal with Russia. But on April 12<sup>th</sup> 2017 Trump stated: *"We're not getting along with Russia at all. We may be at an all-time low in terms of a relationship with Russia."*<sup>2</sup> The suggestion that Russia and the US could become allies was always a lie, but served Trump well to get into the White House. A continental power is a direct challenge to America's position in the world and something the US knows well from its decade's long battle with the Soviet Union. Whilst today's Russia is not the Soviet Union, Russia still seeks to expand influence beyond its borders. Both Russia and the EU could be continental powers though the US does not want to see one dominated by the other. The US needs to keep both Russia's and Europe's power in check and an effective way of doing this involves allowing them to confront one another. Therefore what is good for the US is the exact opposite of what is good for Russia. There is little to no middle ground for compromise. Trump's statements finally aligned with the ground reality - the inherent conflict of strategic interests between the US and Russia.

Criticizing China was central to Trump's bid for presidency. Trump made China public enemy number one on his campaign trail. China, he declared repeatedly, had raped the US economy.<sup>3</sup> It had to stop. He was going to brand it a currency manipulator on his first day in office, opening the way for a range of punitive responses. There would be a deluge of tariffs on Chinese imports into the US, with steel singled out for early action. Jobs in industrial America had to be protected. Trump was extremely aggressive towards China and made this a mainstay of his election campaign. It was for these reasons that the summit between Donald Trump and Chinese premier Xi Jinping in Mar-a-Lago on April 6<sup>th</sup> and April 7<sup>th</sup> 2017 was all the more important. The summit closed with friendly words about mutual understanding and respect including a shared interest in what the US Treasury Secretary, Steven Mnuchin, described as the *"need to get to a more balanced trade environment."*<sup>4</sup> But it eventually transpired Trump did not follow through on any of his electoral campaign pledges. Trump actually offered a good trade deal to China in exchange for help with North Korea, but

also that he would no longer consider China a currency manipulator. It looks as though North Korea's imminent achievement at the time of integrating a nuclear warhead onto a medium-range missile led to Trump to be practical. Trump put to bed any chance of a U-turn on his U-turn in November 2017 when he visited China.

Trump, in his campaign for the White House, called NATO obsolete stating that the US pays too much to ensure the security of allies. He said: "NATO is costing us a fortune, and yes, we're protecting Europe with NATO, but we're spending a lot of money."<sup>5</sup> So damaging was Trump's electoral position that his office attempted to present the campaign promise as not being literal. But on 12<sup>th</sup> April 2017, standing next to NATO Secretary General Jens Stoltenberg, Trump made an unequivocal reversal on NATO when he stated, "I said it [NATO] was obsolete. It's no longer obsolete."<sup>6</sup>



Trump's rhetoric served as a threat to European countries to send the message that Washington would focus on bilateral relations more than the NATO. However, those that subscribe to multilateralism and internationalism in the US policy making establishment forced the change.

Similarly, Trump said the US would leave NAFTA as it was costing American jobs and begin construction of a border wall to stop Mexican illegal immigrants entering the US. Trump eventually downgraded his NAFTA rhetoric from leaving the association to revising the current agreement. The much-publicised wall is not even close to beginning, it has yet to receive any congressional funding and it faces at least one lawsuit.

US presidents operate in a world of constraints and limitations despite their rhetoric to the contrary. In Trump's case, he confronted a reality which was more problematic due to the extreme positions he took during his electoral campaign. Trump is a weak president as he lost the popular vote and lacked broad support from the Republican Party. His approval rating, according to Gallup, was around 41%, among the lowest presidential approval ratings soon after inauguration. Trump won office by portraying himself as a radical isolationist, but such an extreme stance alienated him from those whose support was necessary to govern. This is why Trump made moves to shift his position on key issues hoping to gain support. Like all previous Presidents the reality has made campaign promises outdated.

*"US presidents operate in a world of constraints and limitations despite their rhetoric to the contrary. In Trump's case, he confronted a reality which was more problematic due to the extreme positions he took during his electoral campaign"*



## **CASE STUDY: Trump and the Battle for Self-Preservation**

As President Trump ends his first year in office, he is redefining what it means to be president. He sees the highest office in the land much as he did the night of his victory over Hillary Clinton — as a prize he must fight to protect every waking moment, and Twitter is his sword. Despite all his bluster, he views himself less as a titan dominating the world stage than a maligned outsider engaged in a struggle to be taken seriously, according to interviews with 60 advisers, associates, friends and members of Congress who the New York Times interviewed.<sup>7</sup> For other presidents, every day is a test of how to lead a country, not just a faction, balancing competing interests. For Mr. Trump, every day is an hour-by-hour battle for self-preservation.

Around 5:30 each morning, President Trump wakes and tunes into the television in the White House's master bedroom. He flips to CNN for news, moves to "Fox & Friends" for comfort and messaging ideas, and sometimes watches MSNBC's "Morning Joe" because, friends suspect, it fires him up for the day. Energized, infuriated — often a gumbo of both — Mr. Trump grabs his iPhone. Sometimes he tweets while propped on his pillow, according to aides. Other times he tweets from the den next door, watching another television. Less frequently, he makes his way up the hall to the ornate Treaty Room, sometimes dressed for the day, sometimes still in night clothes, where he begins his official and unofficial calls.

Before taking office, Mr. Trump told top aides to think of each presidential day as an episode in a television show in which he vanquishes rivals. People close to him estimate that Mr. Trump spends at least four hours a day, and sometimes as much as twice that, in front of a television.

His approach got him to the White House, Mr. Trump reasons, so it must be the right one. He is more unpopular than any of his modern predecessors at this point in his tenure — just 32% approved of his performance in the latest Pew Research Center poll — yet he dominates the landscape like no other.

### **Americas Longest War**

Donald Trump became the third president to grapple with what has now officially become America's longest ever war — longer than WW1 and WW2 combined. Former presidents Barack Obama and George W. Bush went through multiple strategies over the course of their presidencies to try to stabilize Afghanistan. When Trump became president, the US had already become the newest addition to a growing list of empires that faced and failed to overcome many of the same challenges that have repelled invaders for centuries in the Afghanistan.

After an election campaign which saw Trump reiterate US withdrawal from global conflicts, Trump did another U-turn on August 21<sup>st</sup> 2017 by unveiling his long-awaited Afghanistan strategy. The Afghan war divided his administration and saw a number of advisors relieved of their posts. President Trump reaffirmed his commitment to Afghanistan in his August 21<sup>st</sup> address to the nation. His speech highlighted the familiar challenges associated with the Afghan theatre, but the US president accused Pakistan for its role in America's failure and Trump highlighted his realization that a hasty withdrawal of troops would have dire consequences. At the center of his strategy was a vague policy on troop numbers and deployments all pointing towards conflict management as opposed to conflict resolution.

Despite Trump's rhetoric about Afghanistan, he presented a strategy not fundamentally different to his predecessors. His plan was to work in some form or shape with the Kabul government and train



Afghan security forces to maintain some semblance of security whilst continuing the conflict. Like his predecessors, he planned to achieve this with minimal resources and troops. Trump revealed in his speech on August 21<sup>st</sup> how he planned to manage the Afghan theatre. His remarks on India and Pakistan revealed the surrounding nations were how the US planned to maintain Afghanistan (this also included China, Iran and Russia). These countries, despite their own interests, are viewed by the US as the ideal way to manage Afghanistan, with minimal US resources and troops.

### **CASE STUDY: The Geopolitics of Afghanistan**

The mountains and deserts of Afghanistan claimed both the British Empire and the Soviet Union in the past. Many historians have now added the US to the list. Why does Afghanistan constantly become the battleground for empires and why is it such a crucial piece of real estate that nations and empires have ruined themselves trying to conquer it?

A cursory glance at Afghanistan on a map shows it sits right in the middle of the Eurasian continent and is connected on all sides to strategic territories. The country sits at a unique nexus point where numerous civilizations have interacted and often fought. To the north, Afghanistan shares a 762-mile border with Central Asia. The collapse of the Soviet Union in 1991 made Afghanistan even more important due to its direct border with the independent Central Asian states. To Afghanistan's West is a 635 mile border with Iran; Afghanistan links South Asia with the Persian Gulf and Middle East. To Afghanistan's East and South is the 1,510-mile Durand line border with Pakistan. Afghanistan also shares a border with China's Xinjiang province, at the end of the Wakhan Corridor. Afghanistan is truly at the intersection of strategic territories and this is why it is, by itself, a strategic territory, as it would give one access to many other regions.

For the US, the emergence of a continental power is a threat to America's global domination and ensuring this doesn't develop, in Eurasia, is a strategic US imperative. Zbigniew Brzezinski, former national security advisor and key US strategist during the Cold War regarded the landmass of Eurasia as the centre of global power. Afghanistan is today for the US what it was for the British Empire and the Soviet Union, a piece of real estate at the heart of Eurasia. Larry Wilkerson, Colin Powell's former adviser, predicts: *"the US will be in Afghanistan for the next 50 years. Indeed, that may be the 'victory' the empire seeks. Afghanistan is of geopolitical importance. It is a place where the US can impact China's 'One Belt One Road' to Europe...the empire sees a need to be in Afghanistan to be well positioned for the future of the empire."*<sup>8</sup>

A team of US geologists discovered nearly \$1 trillion in untapped mineral deposits in Afghanistan in 2010. But Afghanistan was already strategically important prior to this due to its proximity to the hydrocarbon reserves of both Central Asia and the Caspian Sea. The Caspian Sea is believed to possess 48 billion barrels of oil and 8.7 trillion cubic meters of gas. After the collapse of the Soviet Union, Dick Cheney, then chief executive of a major oil services company, remarked: *"I cannot think of a time when we have had a region emerge as suddenly to become as strategically significant as the Caspian."*<sup>9</sup> Since the 1990s, Washington has promoted a natural gas pipeline south through Afghanistan. The route would pass through Kandahar province. In 2007, Richard Boucher, US assistant secretary of state, said: *"One of our goals is to stabilize Afghanistan,"* and to link South and Central Asia *"...so that energy can flow to the south."*<sup>10</sup>

For the US, pipelines through Iran and Afghanistan would allow the US both to pursue its aim of "diversifying energy supply" and to penetrate the world's most lucrative markets. The US oil company, UNOCAL, worked on a pipeline, which didn't materialize, but was replaced by the TAPI (Turkmenistan, Afghanistan, Pakistan, India) gas pipeline linking the Caspian and Central Asia

through Turkmenistan via Afghanistan and onto Pakistan and India. The US aggressively pushed for this pipeline as for the US, Afghanistan is the conduit to control the hydrocarbon resources of the Caspian Sea as well their security and transit.

Willy Claes, the then NATO's Secretary General, confirmed that *"Islamic fundamentalism is at least as dangerous as Communism was,"* he also confirmed: *"The Alliance has placed Islam as a target for its hostility in place of the Soviet Union."*<sup>11</sup> Successive National Intelligence estimates (NIE) have recognized Islam as the number one long term threat to not just US dominance, but to Western civilization itself.<sup>12</sup> Survey after survey in the 21st century confirms and points to the fact that the Muslims across the world view Islam to be a central role in their lives and viewpoints about the world around them and see a central role for Islam in their governance. Iraq and Afghanistan are now forward bases for the US to manage any demand for real change.

US politicians have struggled to explain to the American public why US troops are still involved in Afghanistan from an operational perspective, but from a strategic perspective the US has grand plans for Afghanistan due to the presence and position it gives the US in dealing with many potential future threats. Donald Trump learnt that despite the promises he made in his election campaign of disengaging from wars and Afghanistan itself, in the long term the country, despite being a graveyard for empires is just too important a piece of real estate to ever give up. Both the British Empire and the Soviet Union ruined themselves with similar justifications. It remains to be seen if we are witnessing the US doing the same.

## Managing Afghanistan

US President Trump presented a new strategy for Afghanistan that was no different to his predecessors. If there was anything that could be done to win Afghanistan, Trump's predecessors would have already implemented this by now. Trump merely continued and institutionalised what his predecessors were doing – that is managing Afghanistan through the surrounding nations.

**Pakistan**–Pakistan has continued to play the vital role of supporting the American occupation of Afghanistan. It continues to provide full logistical, intelligence and military support to facilitate the occupation. The country was given a number of ultimatums after 9/11 and General Musharraf in a speech on September 19<sup>th</sup> 2001 gave his unstinting support to the US.<sup>13</sup> The Jihadi groups who had long been provided support by Pakistan's army and ISI were either banned or their funding stopped and the tribes that supported such groups were also threatened to halt such activities. The American goal is to retain a strong presence in the country with minimal personnel, whilst reducing its military losses and overall financial spend. Therefore America has been attempting to train the Afghan army, to act as cannon fodder, whilst its own forces act as overseers, secure in their many bases across the country. Pakistan's role has been to eliminate, militarily, the Afghan resistance which uses Pakistan's tribal areas as a staging post. America resorted to the same tactic in the Vietnam War when it also bombed Cambodia only this time Pakistan's armed forces are doing the fighting. Indeed, dependency on Pakistan is so great, that the then US Chairman Joint Chiefs of Staff, Martin Dempsey highlighted: *"Our strategic and national security goals remain to disrupt, dismantle and defeat al-Qaeda and to prevent the return of safe havens in Afghanistan and Pakistan. This would not be possible without Pakistani support."*<sup>14</sup> Despite criticising Pakistan, successive US presidents have viewed Pakistan as essential in managing Afghanistan. Pakistan has deep, historical, cultural and economic links with Afghanistan and this is why the US views Pakistan as central to keeping a grip on Afghanistan. The US has long realised that the costs of holding on to Afghanistan is something it just cannot bear, but

*“The US has long realised that the costs of holding on to Afghanistan is something it just cannot bear, but if it were to do a Vietnam on Afghanistan and walk away, it would lose this critical country in the middle of Eurasia to China and Russia. Therefore, it plans to maintain its strategic goals by utilising the surrounding countries, and at the centre of this is Pakistan.”*

if it were to do a Vietnam on Afghanistan and walk away, it would lose this critical country in the middle of Eurasia to China and Russia. Therefore, it plans to maintain its strategic goals by utilising the surrounding countries, and at the centre of this is Pakistan.

**Taliban** – Immediately after 9/11, former US President George W. Bush said, “no nation can negotiate with terrorists,”<sup>15</sup> and the invasion of Afghanistan then began. The echo of this notion remained until March 2009, when the newly elected president, Barack Obama, proposed the notion of reaching out to moderate elements of the Afghan Taliban in an interview to the New York Times. America’s attempts to engage the Taliban began soon after Obama took office in 2009.<sup>16</sup> This meant the Obama administration implicitly accepted it could not defeat the Taliban. The US pursued a multifaceted approach in order to weaken the Taliban and ultimately bring it to the negotiating table. The multifaceted approach used different language to describe the status of the various initiatives aimed at engaging with the Taliban. “*Reintegration*” did not, for instance, include negotiations but designated an attempt to make the Taliban foot soldiers lay down arms by giving them financial incentives to do so. “*Negotiations*” implied compromise from both sides. The term “*reconciliation*” covered the national reconciliation process within Afghanistan. “*Peace deals*” is a term that is mostly applied in the Pakistani context, and involves the Pakistani government on one side and the Pakistani Taliban on the other. These have implied some level of negotiation and agreement between the Taliban and the government, but mostly they have meant short-term cessations of hostilities.

After Obama announced he was open to negotiating with the Taliban, the US began supporting initiatives that were aimed at reintegrating Taliban foot soldiers. The early US strategy was to provide financial incentives for the lower-ranking Taliban loyalists and fighters to disarm. Reintegrating Taliban foot soldiers was really a counter insurgency tactic to undermine the Taliban rather than part of a genuine peace initiative. Then in 2011 the Eid message of Mullah Omar was interpreted as a window of opportunity to go one step further – Mullah Omar seemed to show openness towards talks.<sup>17</sup> The direct contact between the US and the Taliban began in November 2010 when US officials met Tayyab Agha, a representative of Mullah Omar in Munich. The then secretive talks were brokered by German officials and the Qatari royal family. Subsequently, in 2011 two rounds of preliminary meetings were held in Doha and in Germany before the Taliban’s political office was unofficially established in Doha in January 2012. The preliminary talks were mainly about prisoner exchange; five Guantanamo detainees in exchange for one American soldier, Bowe Bergdahl. Since the US declined, the talks broke down in March 2012.

To date, all attempts to negotiate with the Taliban have only held temporarily and have not led to any lasting settlement or peace. The biggest challenge for the US is its operating from a position of weakness. The Taliban control as much territory as they had before the US invasion and the central government in Kabul barely controls its own offices. In this respect the Taliban are winning, so there is no need for them to negotiate. This is where the US has brought in the regional nations and other international powers in order to politically isolate the Taliban and bring them to some sort of

negotiations which works for the US. The US failed to militarily defeat the Taliban and is now hoping to politically trap them.

**Iran** - When the US invaded Afghanistan in 2001, and despite all the antagonism between the US and Iran, in Afghanistan both nations have the same interests and see eye to eye in the country, especially in overthrowing the Taliban. The US and Iran have been working together from the early days of the US invasion in Afghanistan. Tehran provided military and intelligence assistance and expelled al-Qaeda and other Sunni militants from its territory at the US's request. The Iranian government provided search and rescue for downed US aircrew members and permitted the offloading of humanitarian supplies at its port of Chabahar for transport into Afghanistan and offered access to airfields near the Afghan border for use by US transport aircraft.<sup>18</sup> Iran even gave maps to Washington that revealed Taliban positions in Afghanistan. At the Bonn Conference in late 2001, convened to broker Afghanistan's new government, Iran successfully persuaded the Northern Alliance to support US-backed Hamid Karzai as president.<sup>19</sup> Iran also joined the reconstruction of Afghanistan. Most of its contributions have been aimed at developing the Afghan Shi'a communities, especially the ethnic Hazaras and Qizilbash. In Afghanistan, Iran has secured North East Afghanistan for the US and the redevelopment of the area ensured the region didn't fall to the nationwide insurgency. Iran also played an important role for the US in stabilising North-West Afghanistan

**India** – Trump's Afghan strategy speech, significantly, mentioned only one other nation – India, which he declared as a key security and economic partner, with who strategic partnership would be further developed. After the overthrow of the Taliban, India established diplomatic relations with the newly established government. It provided aid and participated in the reconstruction efforts. India has provided \$650–750 million in humanitarian and economic aid, making it the largest regional provider of aid for Afghanistan. India's support and collaboration extends to rebuilding of air links, power plants and investing in health and education sectors as well as helping to train Afghan civil servants, diplomats and police. For India, Afghanistan has long been a country beyond its reach and was firmly in Pakistan's reach, but the US invasion presented a new opportunity, which Delhi was more than happy to take up. India has taken a small but growing burden from the US in managing Afghanistan

The Afghanistan National Security Forces (ANSF) took over responsibility from the NATO-led Resolute Support Mission in 2015 and now has a capacity of 352,000 personnel. Over 4,000 Afghan officers have been trained in Indian military institutions with an expected increment of 50% in the number of officers being trained in India this year. A report in Jane's Defence Weekly noted up to 30,000 recruits will be flown to India for training in regimental centers across the north and east of the country as part of the strategic partnership signed between the two countries.<sup>20</sup>

**China** – China began giving Afghanistan considerable attention after a small team of Pentagon officials and American geologists discovered nearly \$1 trillion in untapped mineral deposits in Afghanistan in 2010. The previously unknown deposits – including huge veins of iron, copper, cobalt, gold and critical industrial metals like lithium were so big and include many minerals that are essential to modern industry. It was after this discovery that China began to develop commercial and economic relations with Afghanistan, with the Metallurgical Corporation of China (MCC) pledging \$3.5 billion to develop the Aynak copper mines. China National Petroleum Corporation helped to create the first site for the production of oil in Afghanistan, with annual energy estimated at 1.5 million barrels. When Ashraf Ghani became president of Afghanistan his first foreign visit was



to China, where he was rewarded with new commitments from Beijing, including over \$327 million in aid.

China realised that it cannot exploit any of Afghanistan's mineral resources without a stable government in Kabul and stability and security across the country. For these reasons China has supported the US constructed political architecture in the country and worked to strengthen it. China has strongly supported the government in Kabul, the Chinese Foreign Minister Wang Yi, during his visit to Kabul in February 2014 said, *"The peace and stability in this country has an impact on the security of west China, and most importantly, it affects the peace and the development throughout the region, and we hope to see political reconciliation broad-based and inclusive in Afghanistan as soon as possible, and China will play a constructive role to facilitate this."*<sup>21</sup> For China, the US presence in Afghanistan provides security to both its investments and the Kabul government and that's why it has supported US-Afghan security deals. China also established the "peace and reconciliation forum" that gathered the Taliban command for peace talks. The strategic interests of both Beijing and Washington are the same in Afghanistan, a US official confirmed: *"The United States and China have agreed to work together to support the Government of Afghanistan, and national unity, and the security forces, and economic development; to ensure that Afghanistan is not used once again as a safe haven for terrorists."*<sup>22</sup>

**Russia** –Although Russia did not take part in the US invasion to overthrow the Taliban in 2001, Moscow shared intelligence with Washington during the invasion. Despite US-Russian competition around the world, in Afghanistan, Russia supported the US invasion and became a key logistical hub during America's occupation of Afghanistan.

Russia aided the US agenda by organising peace talks between the US constructed architecture in Kabul and the Taliban. In 2017, Russia hosted peace talks between the Afghan government and the Taliban. In early 2017, Moscow disclosed its contacts with the Taliban, the group that is intent on toppling the Afghan government. The Russian Foreign Ministry announced that it is sharing intelligence and cooperating with the Taliban to fight ISIS militants in Afghanistan. Whilst Russia may have its own interests in Afghanistan, it is working to stabilise the Kabul government, the very government the US created. The US does not necessarily see eye-to-eye with Russia or China on all issues, but the US has no choice but to work with these regional nations and is confident it can use them to manage Afghanistan.

Despite his campaign promises, Trump has now decided to continue pacifying Afghanistan and continue to lose troops in a war that cannot be won. Trump is also not prepared to cut America's losses and pull out as it did in Vietnam. If it does this the government in Kabul would collapse and what would be left is civil war. This has usually been the case when the superpower invaded Afghanistan; it eventually cut its losses and ran.

### **CASE STUDY: Afghanistan: Graveyard of Empires**

Afghanistan has a population of nearly 33 million. The country is made up of rugged mountainous terrain, with deep valleys. The country could really be described as having mountains in its center, surrounded by countryside and desert. It is this terrain that previous empires always succumbed to. The US military, when it began its invasion in 2001 consisted of around 1.5 million active-duty personnel (plus 980,000 in the reserves), of whom more than 550,000 belonged to the Army and about 200,000 were part of the Marine Corps. Afghanistan on the other hand had no army. It had militias which had been at war with each other since the Soviets departed in 1989. The Taliban

government possessed ageing Soviet tanks, as well as some aging Soviet aircraft, at best on the eve of the US invasion the Taliban, who numbered somewhere between 20,000 — 30,000 personnel, possessed an amateur force, with little conventional capability.

The odds were stacked in America's favour in 2001, but this was the first lesson the US overlooked in its invasion. Like all the empires before them who invaded Afghanistan, more troops in this case are not an advantage. Like all empires the US strains to deploy large numbers of its military at any one time and in the last decade the US was fighting in two wars in Afghanistan and Iraq. To maintain such a large force, far from the US continent, many of these troops were needed in support rather than combat roles. The same was true in Vietnam, where the US was challenged to field a maximum of 550,000 troops (in a country much more populous than Iraq or Afghanistan) despite conscription and a larger standing army. With the war in Afghanistan, the US is fighting in the Eastern Hemisphere, which is a great distance from the US continent and the greater the distance, the greater the logistical cost. More ships are needed to deliver the same amount of material. This absorbs many troops. The logistical cost of fighting at a distance is that it diverts numbers of troops disproportionate to the size of the combat force. Regardless of the number of troops deployed, the US military is always vastly outnumbered by the populations of the countries to which it is deployed. If parts of these populations resist as guerrilla forces or employ guerrilla tactics, the enemy rapidly swells to a size that can outnumber US forces, as was the case in Vietnam. The Soviets maintained a force of around 115,000 troops in Afghanistan in their decade long war and failed to conquer the country.

The US, like its predecessors always had a disadvantage when it came to intelligence. The Afghan people have shown for over two centuries that it can be outnumbered and outgunned but still bleed empires dry. The US failed to realise the resistance is fighting at home. It understands the terrain. The US is fighting in an alien environment. It is constantly at an intelligence disadvantage. That means that the effectiveness of the native forces is multiplied by excellent intelligence, while the effectiveness of US forces is divided by lack of intelligence.

The US faces an insurgency in Afghanistan and this requires counter insurgency forces not the conventional army, who require bases and significant supply lines. Maintaining both fixed and rotary wing aircraft require dozens of ground-crew personnel, despite their appearance of power, these systems rely on extensive ground-support to just be in the air for short periods. If we add the need to train, relieve, rest and recuperate the ground-combat forces, you are left with a small percentage available to fight.

The US has fallen victim to the same reality both the Soviet Union and Britain befall previously and that is an invading force, in the long run will ruin itself in attempting to conquer Afghanistan. If there were a solution to this, it would have been implemented long ago by US policy makers and we would not be writing about the 17th year of a US foreign military invasion. America has shown it can destroy regimes but its nation building capabilities are usually a failure.

## **Trump & North Korea**

US president Donald Trump like all his predecessors used plenty of bluster and rhetoric against North Korea in 2017. It has now become a regular occurrence for there to be an incident at least once a year between North Korea and the US, where we see the military movement of both nations; nuclear tests by North Korea and US long range bombers and aircraft carriers moving into the region. The outcome in all these cases is the same, escalation turns into talks which de-escalate matters.

Escalations began on New Year's Day 2017 when the North Korean leader Kim Jong-Un claimed his country was in its final stages of developing an intercontinental ballistic missile (ICBM). Trump, who at this point was only President-elect, went on Twitter and proclaimed North Korea would never possess a weapon capable of reaching the continental US.

On 11<sup>th</sup> February 2017 Pyongyang launched its first ballistic missile of the Trump presidency. A few days later, Kim's half-brother Kim Jong-Nam was poisoned while walking through Kuala Lumpur International Airport.

On 6<sup>th</sup> April 2017, North Korea fired another ballistic missile off the Korean peninsula days before Trump was set to have a formal meeting with Chinese President Xi Jinping. Trump responded in a show of military might, ordering a missile strike on Syria during his meeting with Xi Jinping.

On 9<sup>th</sup> April 2017, the US Navy announced that its Carl Vinson Strike Group would skip a regularly scheduled visit to Australia and head towards the western Pacific Ocean, a move the White House later said was meant as a deterrent to North Korea's provocations. But shortly after the plan is announced, it emerges that the carrier group was heading in the opposite direction of the Korean Peninsula, moving southwest to join the Australian Navy for joint exercises in the Indian Ocean.

On 14<sup>th</sup> April 2017, President Trump continued his show of US military strength when the US dropped the most powerful non-nuclear bomb in Afghanistan which was meant to target ISIS. Shortly thereafter, Kim touted his own country's military might during an annual parade in Pyongyang by displaying the country's new missiles and weapons.

On 1<sup>st</sup> May 2017, Trump downplayed North Korea's recent missile launches, and appeared to express admiration for Kim, calling him a "*smart cookie*" during an interview with CBS's "Face the Nation." Trump continued his praise of the US adversary, saying in an interview he would be "*honoured*" to meet with Kim "*under the right circumstances.*"

By June the United Nations decided to act after North Korea's multiple test launches in May. It unanimously voted to introduce additional sanctions that would target the nuclear and missile programs of the increasingly hostile state. The news of additional sanctions did little to deter North Korea. Pyongyang fired four anti-ship missiles into the sea near the Korean Peninsula just a few days later.

On 4<sup>th</sup> July 2017 as fireworks lit up the skies across the US during its Independence Day holiday, North Korea launched a very different explosive into the air: its first successful nuclear-capable ICBM test that could "reach anywhere in the world." Trump responded with tweets about China-North Korea trade relations.

On 8<sup>th</sup> August 2017, while at his golf resort in Bedminster, New Jersey, Trump said: "*North Korea best not make any more threats to the United States. They will be met with fire and fury like the world has never seen.*" In response, North Korea announced its plan to fire missiles at Guam, which it said would "*send a serious warning signal to the US.*"

On 10<sup>th</sup> August 2017, Trump said the fire and fury comment "*...if anything, maybe that statement wasn't tough enough.*" By 16<sup>th</sup> August 2017 Trump was tweeting: "*Kim Jong Un of North Korea made a very wise and well-reasoned decision. The alternative would have been both catastrophic and unacceptable!*"

On 17<sup>th</sup> September 2017 Trump and his South Korean counterpart, Moon Jae-in agreed to intensify economic and diplomatic pressure against Kim, who Trump called 'Rocket Man' in a tweet.

At the annual UN general assembly gathering, in his speech, Trump warned the US would “*totally destroy North Korea*” if forced to defend itself or its allies. He said while the US has “*...great strength and patience,*” its options could soon run out. Directly putting the country's leader on notice, Trump suggested Kim Jong Un could not survive an American attack. “*Rocket Man is on a suicide mission for himself,*” he said. Kim Jong-un responded by calling Trump’s remarks “*rude nonsense*” and threatening countermeasures.

From the above timeline it becomes clear the whole escalation has been bluster, rhetoric and lies from both sides. Both Trump and Kim have domestic audiences to please and both are attempting to look strong in front of domestic audiences. Under international eyes North Korea has developed a nuclear program and the US had done little aside from sanctions to stop it. Trump has given more airtime to North Korea as he spends much time tweeting and engaging in rhetoric, which was not how previous presidents dealt with this issue

But unlike his predecessors, Trump faces a slightly different reality. Today the US has exhausted some options in dealing with North Korea, whilst other options are not realistic anymore. One of the options for US is to use its military to conduct surgical strikes on North Korea’s nuclear sites to take out the country’s missiles and also possibly the country’s political leadership. The problem with such a strategy is that North Korea would be certain to hit back hard, using its own large arsenal of artillery to strike at America’s allies, South Korea and Japan. That would likely kill tens or even hundreds of thousands of people — including the 23,500 US troops stationed in South Korea and thousands of others in Japan — even before nuclear weapons were dropped. So, Trump faces the unenviable reality that using America’s military has huge costs and not just immense consequences but also potentially catastrophic consequences.

The other option was to impose economic sanctions on North Korea, so it would conclude that the costs of continuing its nuclear programs were too high. But many items the country wants and needs, like weapons and fuel, are already highly sanctioned by the US. Despite all this, North Korea hasn’t changed its course.

As much as Trump likes to use rhetoric and bluster against North Korea, the US will have to swallow its arrogance and humbly conduct diplomatic talks with the country and come to an agreement where it either gives up its nuclear program or at a minimum freeze their development. That will require the United States to put something on the table that North Korea wants as has been the case in the past attempts to come to a mutual agreement, which the US usually finds an excuse to renege on.

The US has several thousand operational nuclear missiles. It has a large fleet of strategic bombers, an enormous navy, and hundreds of thousands of soldiers and marines. The US could bomb, blockade, and invade North Korea if it chose to incur the cost. This is a cost that has led many generals to doubt an attack on the peninsula to be an unrealistic prospect.

Retired Lt Gen Jan-Marc Jouas who was deputy commander of US Forces Korea outlined in a letter to congress that the US military would find itself outnumbered and under-supplied if war broke out with North Korea. American troops “*...are vastly outnumbered by North Korean forces, as well as [allied]*



*forces that will conduct the overwhelming majority of the fighting.” They would also face problems in getting reinforcements or new supplies, he claimed, saying fresh troops “may well find their bases subject to attack by conventional or chemical weapons, which will further delay their entry into the war.” In a letter to members of Congress, obtained by *Newsweek*, Lt Gen Jouas said even limited military action against Kim Jong-un’s regime would be likely to precipitate a full-scale war, yet would probably not destroy Pyongyang’s nuclear capability totally. He added: “An enormous casualty and evacuee crisis will develop and include over 100,000 non-combatant Americans, many of who will turn to US forces to get them off the peninsula.”<sup>23</sup>*

North Korea on its own presents little threat to the US. Its army is outdated and has little conventional capability. Donald Trump’s former chief strategist, Steve Bannon, in an interview, with American Prospect’s Robert Kuttner, confessed that the administration’s rhetorical posture regarding a conflict with North Korea was utterly hollow. “There’s no military solution,” Bannon said. “Forget it. Until somebody solves the part of the equation that shows me that ten million people in Seoul don’t die in the first 30 minutes from conventional weapons, I don’t know what you’re talking about, there’s no military solution here,” he added. “They got us.” So much for “fire” and “fury.” “We’re at economic war with China,” Bannon said. “On Korea, they’re just tapping us along. It’s just a sideshow.” He added that, on the present trajectory, there would be an “...inflection point...” from which America will not recover. In 25 or 30 years’ time, he said, it will be the People’s Republic and not the United States that is the world’s global hegemon. “The economic war with China is everything.”<sup>24</sup>

*“All of this shows the American aggression against Korea, as with its aggression in Vietnam 50 years ago, is part of a broader strategy directed against the rise of China. North Korea provides America with the justification to strongly militarise directly on the Chinese border.”*

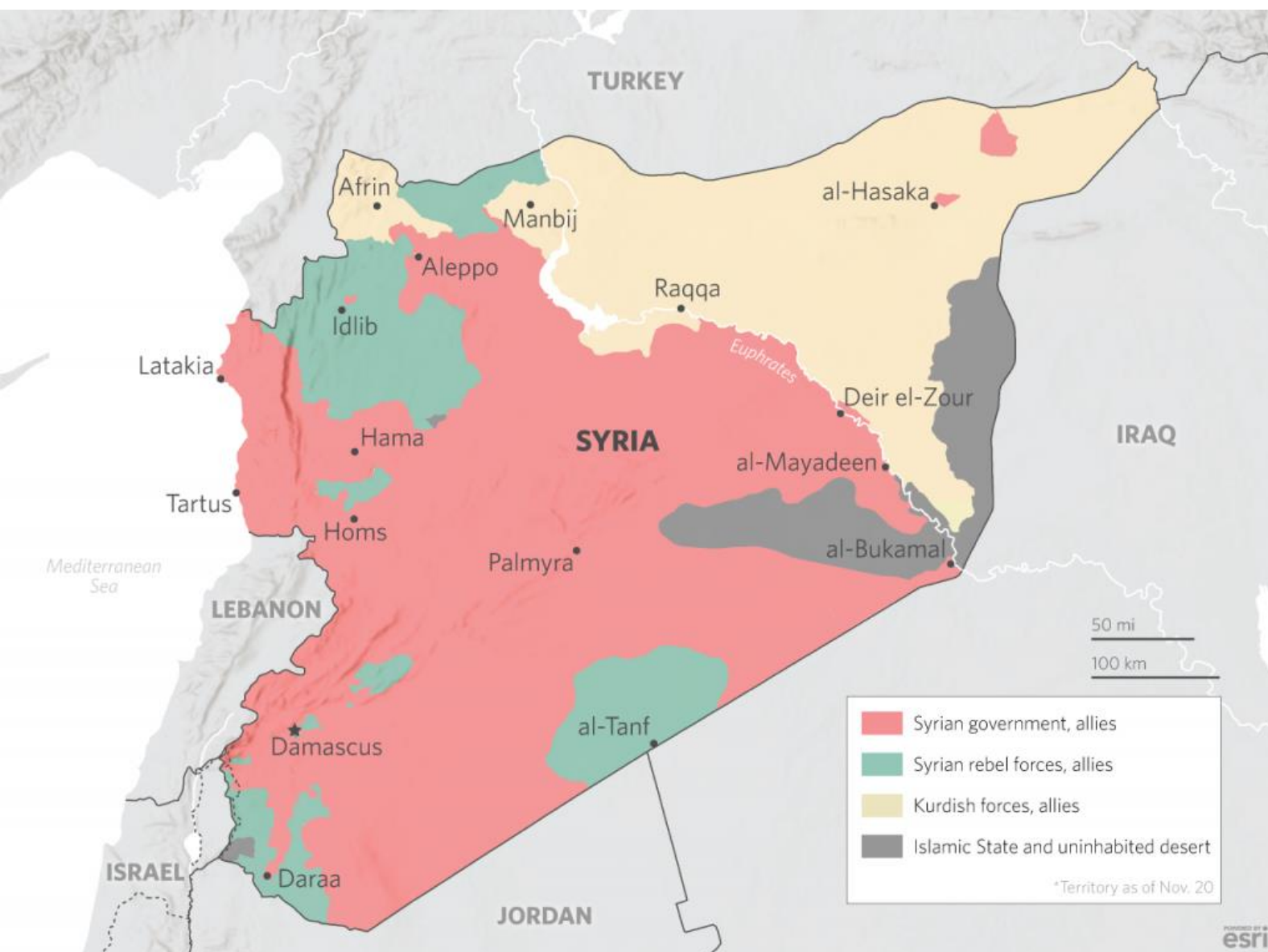
All of this shows the American aggression against Korea, as with its aggression in Vietnam 50 years ago, is part of a broader strategy directed against the rise of China. North Korea provides America with the justification to strongly militarise directly on the Chinese border. The crisis also serves to keep the Chinese leadership preoccupied and engaged. China has had to undertake further mobilisation on the Korean border in response to the intensification of the issue from the American side throughout 2017. It follows that American threats and actions against North Korea form part of a strategy of political manoeuvring in pursuit of a grander aim, China.

## Syria

The fall of Aleppo in January 2017 altered the dynamics on the ground in Syria. It was a death nail to the rebel cause and gave the Bashar al-Assad regime its biggest victory in the more than half decade old conflict. With the fall of al-Raqqa and breaking the years long siege of Deir ez-Zor in September 2017 a flurry of statements followed regarding the end of the Syrian conflict. UN Special Envoy Staffan de Mistura said it was time for the rebel forces to recognize that they didn’t win the six and a half years long Syrian War. “For the opposition, the message is very clear: if they were planning to win the war, facts are proving that is not the case. So now it’s time to win the peace.”<sup>25</sup> The former US ambassador to Syria, Robert Ford, also weighed in, President Bashar al-Assad has “won” the brutal conflict, will probably stay in power and may never be held accountable for the crimes committed by his regime.<sup>26</sup> Robert Fisk the British journalist wrote in the independent: “The West might hardly believe it, but it now seems the Syrian war is ending – and Assad is the victor.”<sup>27</sup>

For the US, central to the success in Syria has been the arming and organisation of the Kurdish groups, something which has led to tensions with Turkey. The US has long had the goal of establishing an entity for the Kurds in northern Syria along the border between Syria and Turkey. Turkey deems such an entity as a threat to her national security. Despite this, the US has insisted on forging ahead with her plans to achieve her interests without considering the interests of her ally in Istanbul.

Ever since the US militarily intervened in Syria in 2014 under the guise of fighting ISIS, the US has handed several areas over to various Kurdish forces; the Kurdish People's Protection Units have taken control of Ain al-Arab, Ras al-Ain, al-Hasakah, al-Qamishli, Tal Abyadh and Manbij thanks to the US who is also working towards handing over sizable pieces of al-Raqqa to them. In addition to supplying the Syrian Kurds with 1400 military vehicles and sophisticated weapons for a 50,000-strong army, the US also built several military bases in Kurdish areas and inspired the Kurdish leaders, now protected by the US weapons and military bases, to declare unilateral self-rule.



In response, Turkey reacted by initiating the seven-month Euphrates Shield operation. Had it not been for the American intervention in Manbij and Afrin, the operation would have ended the presence of the Kurdish forces in those areas among others in the northern countryside of Aleppo after the Turkish forces had succeeded in controlling the towns of Jarabulus, al-Raai', Dabiq and al-Bab.

In response to this, US officials began highlighting the presence of the Levant Liberations Committee (HTS) in Idlib (formerly known as Jabhat al-nusra) and a possible incursion into Idlib by the Kurdish groups. Matters escalated in October 2017 when the US embassy in Ankara announced the suspension of all visa applications in Ankara and all US consulates in Turkey, except for immigrants. The Turkish embassy in Washington was swift in reacting by suspending all visa applications made by US citizens through all its consulates in the US, based on the principle of reciprocity in diplomatic conventions.

Turkey in coordination with Russia and Iran set up de-escalation zones around Idlib. Turkey used this presence to deploy its troops along the borders between the governorate of Idlib and the positions of the Democratic Union forces in Afrin by establishing 14 checkpoints on the outskirts of Idlib including 5 checkpoints in the area of Afrin. Erdoğan openly expressed his aversion to the American plan on 8<sup>th</sup> October 2017 by confirming the *"presence of serious attempts to establish a state along the northern Syrian borders; and if Turkey kept silent over this, those attempts would be realised."* He added: *"We are compelled to thwart this terrorist belt they want to establish from the extreme east of Syria to the Mediterranean; we cannot allow the execution of this project for if it were to happen, we would be facing similar events to those of Kobani."* Erdoğan then concluded: *"We will never allow the besieging of Turkey as we face the threats emanating from Iraq and Syria."*

The US has left the heavy lifting in Syria to the regional nations who have destroyed the goodwill and success the rebel groups enjoyed originally in Syria. Despite differences between the regional and international powers, they were all in agreement that real change shouldn't come to Syria. The US has ensured by not attending the Astana and Sochi talks on working out a political transition in Syria. The US by the end of 2017 admitted it has over 2000 troops in Syria, much more than was previously admitted. In 2018 the US will attempt to bring its political solution to fruition by forcing the opposition groups to enter into a transitional government with Bashar al-Assad.

## **Conclusions**

The US has attempted to make progress in 2017 in some regions on the world, whilst in others it has attempted to navigate the challenges it faces in bringing to fruition its policies. What is clear in 2017 compared to a decade ago the US is unable to bend the international situation to its liking today. This is because the US is not the same power today as it was then. The failures in Iraq and Afghanistan have hurt the US and emboldened other powers. As a result the US doesn't have the level of wide scale influence that allowed her to unilaterally impose settlements around the world. Syria is now a half a decade old conflict and the US has failed to win the hearts and minds of the Syrian people. The country is now broken (something needed to stop real change), but across the world US policy is facing challenges, which are delaying, altering, re-directing and weakening US positions. The US remains the global superpower, but its power is declining, as seen globally with events. America is powerful, but it can't be everywhere, something both Russia and China are taking advantage of.

**US Decline** - After the demise of the Soviet Union in 1991, America found herself in unique position—she was not only the world’s leading state but also the world’s lone superpower. The US possessed unprecedented global power and was able to shape almost every political landscape. But in the 21<sup>st</sup> century the US has had very few foreign policy successes and the American century now faces a multitude of systemic problems. The demise in America’s political influence abroad accelerated after Bush’s invasion of Iraq in 2003, and, by all accounts, it was poor political decisions that carried enormous implications for US foreign policy. The waning of America’s political influence comes at a time when America’s military power is at its apex. Yet despite this, America is not able to convert its military success into political gains. America is very good at destroying countries, but extremely poor at nation building. This is the real challenge US president Trump faces, but it remains to be seen if he can move away from his reality TV, ratings leadership to deal with the real issues facing the US.

**Foreign Policy** – In 2018 and beyond the US administration faces a serious foreign policy crisis. The US vision of its place in the world has changed since Obama’s administration published the US National Security Strategy in 2015. The US was confident two years ago of its leadership in the world: “The United States is stronger and better positioned to seize the opportunities of a still new century and safeguard our interests against the risks of an insecure world.” That view of US leadership is now dead, along with the Trans Pacific Partnership and US leadership in combating climate change. On the 18<sup>th</sup> of December, 2017, Trump’s administration published its National Security Strategy, which presents the US as a falling nation that must take drastic action to put “America first” so as not to be beaten by its rivals. The US administration is calling for putting US economic interests first, which previous administrations have also done, but now there is a lack of confidence that the values and ideology of the US will automatically triumph, and a belief that massive military superiority is needed “to prevent enemy success.” Trumps strategy to save the US rests almost entirely upon using its military to defend itself. Without as many friends as before, the US is relying now on dangerous provocations and the threat of nuclear war to bring a crippling crisis upon China before it is ready to face the US directly.

**Recession** - Not since World War II has the US gone longer than a decade without a recession. It is therefore likely that the US will have one by 2019, possibly even by late 2018. Whenever it comes, this recession will have global implications and will shake the already tenuous political situation inside the United States. The lower and middle classes in the US have not yet recovered from 2008. As their voices get angrier and louder, Washington will have to focus more of its attention inward.





# Russia

*Russia has been busy involving itself in issues around the world throughout 2017. Syria has been the first foray for Russia beyond its region since the collapse of the Soviet Union back in 1991. In 2017 Russia's strategy became much clearer as it utilised hybrid tactics to create misinformation, expose the plans of the west and cause instability in other countries. In 2017, Russia made moves in other nations despite the rise against Putin's rule domestically*

## Syria

In September 2017, Russia's intervention in Syria reached its second anniversary. Russia intervened in the country after Bashar al-Assad in the summer of 2015 highlighted he had lost most of the country and was giving up regaining the north of the country. Russia's intervention on 30<sup>th</sup> September 2015 eventually turned the tide in the country and with the fall of Aleppo in January 2017 the last major bastion of resistance, the Syrian rebels have been virtually defeated. Russia has sought to use its intervention to leverage broader talks with the US as well as get involved in other issues in the Middle East.

Russia's intervention in Syria has been a testing ground for its troops, equipment and combat capabilities. Since the end of the Cold War Russia has only been involved in conflicts that were adjacent to it e.g. Ukraine, Georgia and Chechnya. In Syria, Russia needed to project force into the country, which is a considerable distance away. With no land routes, Russia sustained troops in operations far from home through airlifts and naval transport which included maintaining them for long periods of combat operations.

The Syrian intervention was in a foreign land with no cultural links and required Russian forces to communicate and partner with Syrian forces, something they have not undertaken for a considerable amount of time. There were numerous reports and rumours of friction between

Russian troops and their local partners but after the battlefield death of Lt.-Gen. Valery Asapov on 23<sup>rd</sup> September 2017, the Russian military said that Asapov not only was an adviser for Syrian government forces but was also integrated into the Syrian military's chain of command as the commander of its Fifth Corps.<sup>28</sup>

Syria presented a major test for Russia's combat aviation. The air war in Syria has been complex, involving constant close air support and ground attack missions in a crowded airspace where numerous air forces, including those of the US led coalition, which were simultaneously conducting operations. Syria gave Russian air forces valuable combat experience.

Russia entered the war in Syria in the wake of a major modernisation of its military and tested more than 160 new types of weapons systems. Russian forces employed new sea and air-launched land-attack cruise missiles, deployed new types of air defence systems and battlefield drones as well as extensive use of next-generation electronic warfare systems. The campaign also accounted for the most widespread use of precision-guided munitions in Russian history. The Su-34 and Su-35 aircraft and the S-400 surface-to-air missile system had a very prominent role and were purchased by a number of countries who witnessed these systems in action in Syria.

Alongside these military and defence gains, Russia has played a central role and taken over from the Geneva and Vienna conferences, which were led by the US and aimed to broker a deal where the Syrian rebel groups would enter into a transitional deal with the regime in Damascus. Russia has been able to bring certain rebel groups to the negotiating table in Astana, Kazakhstan. These talks took place in parallel to the battlefield realities such as the fall of Aleppo, the pidgin holing of the Syria opposition in Idlib and the implementation of the de-escalation zones.

Russia has played a central role in saving the al-Assad regime, defeating the rebel groups and leading a political resolution to the more than half a decade long conflict.

#### **CASE STUDY: A Tactical Assessment of Russia's Syrian Intervention**

It's no secret that Russia used its military campaign to both demonstrate and test hardware, and furnish its forces with some actual combat experience. In March 2016, Russian President Vladimir Putin said that combat operations in Syria are the best form of training for his country's armed forces. *"The Russians quickly began to see Syria as a testing ground for various weapon systems that hadn't been used in combat before as well as an opportunity to give various branches of the military experience in an actual war zone,"* Michael Kofman, a specialist on the Russian military at the Wilson Center's Kennan Institute, told War Is Boring.

Russian combat aircraft in Syria averaged 40-50 sorties per day, with peaks as high as 100 such as which occurred in January 2016. Russia achieved this without deploying more than 30-50 combat aircraft and 16-40 helicopters to Syria throughout the campaign, which Kofman notes is a much smaller deployment than the Soviets had in Afghanistan. Mechanical failures and combat losses in the air been *"magnitudes less than previous Russian or Soviet air operations,"* Kofman added.

Neil Hauer, an expert on Russia-Syria relations who has followed the conflict closely, pointed out some of the improvements the Russian military has demonstrated in Syria compared to past conflicts. *"I think there's been an implicit focus on using fewer frontline units than in the Donbass conflict,"* Hauer told War Is Boring. *"While Russian army units were engaged in full frontline battles there,*

*there's been nothing of the sort in Syria. Instead, Russian forces have acted in support roles in the guise of advisers, light infantry (reconnaissance and artillery spotting), and air support. The only real combat roles to date have been played by Wagner [Group, private Russian] mercenaries.” Hauer points out that Russia quickly adapted early on in Syria, re-scaling “their ambitions after realizing just how little offensive action pro-regime forces were capable of. The first months of the Russian intervention saw broad attempts to advance on a number of fronts, but many of the results were disastrous — especially in north Hama, where the regime lost dozens of tanks in a few weeks for zero gain, despite heavy Russian strikes. Since then, Russia has largely focused on supporting one regime offensive at a time, while suppressing rebel and Islamic State forces elsewhere.”*

The Russian military has yet to shed nor improve upon some of its older habits from past conflicts. Even though the Russian air campaign was certainly effective, it may have resulted in between 8,324 and 11,282 civilian deaths through February 2017, according to the conflict monitoring group Airwars. *“As well as inflicting excessive civilian casualties, Russia is credibly reported to have extensively targeted civilian infrastructure in Syria — with water treatment plants, bakeries, food distribution depots and aid convoys all struck,”* Airwars noted. *“Civilian areas were also systematically targeted across rebel-held territories, often on consecutive days.”*

Many of Russia's bombs had far greater payloads than necessary for their targets, Kofman noted. This indicates that Russia still, more-or-less, fights the same way it did in the early 1990s. The proportion of precision-guided weapons used by Russia in Syria amounts to *“perhaps less than five percent”* of the total, Kaufman said. While its campaign in Syria proved that Russia is capable of using long-range guided weapons and also demonstrated other improvements in the air since its 2008 war with Georgia, it also revealed serious limitations.

For instance, Russia carried out most of its bombings in Syria with older Su-24M2 and Su-25SM aircraft, which lack targeting pods needed to drop precision-guided bombs. The use of newer Russian Su-34 Fullback multi-role fighters were the only exception to this general trend since they are capable of dropping KAB-500S satellite-guided bombs. Furthermore, the ability of Russian warplanes to hit small, moving targets with precision-guided munitions has proven extremely limited. Instead, these aircraft relied on unguided weapons and bombs far too big for their intended targets, which Kofman describes as “overkill.”

As with its Soviet predecessor, the Russian military can maul its enemies *“in close quarters, but continues to struggle when it comes to actually finding and seeing its intended targets,”* Kaufman said. Russia lagging in the production of drones also haven't helped. While the Russian military does possess domestically-produced reconnaissance and surveillance drones, along with some license-built Israeli models, it has no armed drones to speak of therefore lacks a “recon-strike capability,” Kaufman added.

Also Moscow's use of naval aircraft in Syria failed to impress given the abysmal deployment of the aging *Admiral Kuznetsov* aircraft carrier in late 2016, which lost an Su-33 and a MiG-29K in accidents.

Overall, Russia's campaign in Syria has been a mixed bag. It certainly showed improvements in tactics, strategy and capability. At the same time it demonstrated that Moscow has plenty of room for improvement when it comes to conducting conventional military operations beyond its vast frontiers.



## Libya

In the North African nation, Russia began supporting Khalifah Haftar in 2016 with several visits to Russia by either Haftar or his special envoy Abdel Basit al Badri, the Libyan ambassador to Saudi Arabia. In January 2017, the Libyan general was invited on board the aircraft carrier Kuznetsov, where he had a video conference with Russian Defence Minister Shoygu.<sup>29</sup> Then on 14<sup>th</sup> August 2017 Moscow received Khalifah Haftar with the Russian Foreign Minister Sergey Lavrov after holding a joint press conference.



Whilst Haftar and his supporters have been keen to emphasise that Russia is actually backing their man, and point to the regular high-profile contacts and visits that are taking place. In reality however, Russia has not delivered substantial material support to Haftar in terms of advanced arms or military training. And considering the substantial time he spent in the US being trained by the CIA, it is unlikely Russia will be able to pry him from the US.

Russia has been keeping its options open by maintaining contact with all the sides in Libya. In February 2017 the head of GNA, Fayez al-Sarraj made a visit to Moscow too. Russia's relations with Haftar has strengthened his international presence but it remains to be seen if Russia can insert itself into Libya, when it has so little influence on the ground.

## Ukraine

The war in Ukraine has to some degree become the forgotten war as it passed four years in 2017. The uprising in Ukraine in late 2013 resulted in the overthrow of the pro-Russian President, who was replaced eventually by a pro-Western government in Kiev. Russia responded with the annexation of Crimea and a pro-Russia insurgency in eastern Ukraine. This kicked off a protracted struggle between the West and Russia, which continues until today.

Russia has amassed 60,000 troops on Ukraine's border. It has deployed them to strategically important locations along the border. By the end of 2017, Russian forces are in a strong position to conduct an incursion or threaten regime change in Kiev than they have ever been.

The fate of the contested eastern portion of Ukraine has slipped down the order of global priorities. In 2015, Kiev and Moscow signed the "Minsk agreement", which stipulated a ceasefire and a special constitutional status for the rebel-held territories of the Donbass region, which would re-integrate into Ukraine and hold elections. None of that has come into effect and the number of ceasefire



violations runs into the thousands. So a low-intensity conflict has become the grinding everyday backdrop.

On 5<sup>th</sup> Sept 2017 Russia's Ministry of Foreign Affairs submitted a draft resolution to the UN Security Council that raised the possibility of sending UN peacekeepers to eastern Ukraine to provide security in Donbass for monitors from the Organization for Security and Co-operation in Europe. Putin endorsed the plan himself, describing the deployment of the peacekeepers as "*absolutely appropriate*" at a BRICS press conference in China. This was an about-face for Russia, which had consistently blocked the idea of UN peacekeepers in the region.

Both the US and Ukraine, reacted negatively to the Russian proposal. This is because the initial proposal said that the UN peacekeepers could be deployed only along the line of contact between separatists in the Donbass region and Ukraine. Ukraine wants the peacekeepers stationed not at the line of contact but at what it views as the border between Ukraine and Russia.

For the moment, neither the west or Russia can take the whole of Ukraine, but both are posturing and making moves to prepare for the day they can, which is why NATO continues to conduct unprecedented drills throughout Eastern Europe. As matters stand, the Ukraine struggle remains frozen and the regular drills, artillery bombardment and incursions are defining the battle.

## **Afghanistan**

In 2017, Russia supplied weapons and funding to the Taliban. Russia has been courting influential Afghans, expressing veiled criticism of the NATO-led mission there and holding talks with the regime in Kabul.

The Soviet Union left Afghanistan in a humiliating 1989 defeat after a war that killed at least 15,000 Red Army soldiers fighting in the name of Communism against mujahedeen backed by the US. The war devastated Afghanistan, killing at least one million citizens, ravaging its agriculture and creating a crippling refugee crisis that is still taking its toll on the country today. The Soviet invasion is largely seen as the beginning of the violence and chaos the Afghan still live in, the start of what they are now calling their "forty years of war."

Before NATO's combat role in Afghanistan officially ended in December 2014, Russia allowed it to move military gear through its territory. Russia has held three rounds of talks aimed at fostering peace between the Afghan government and the Taliban, but the invite list has been very selective. China and Pakistan – but not Afghanistan – were invited to the first round, Kabul was included in the second and the US was invited but declined to attend the third round. In early 2017, Moscow disclosed its contacts with the Taliban, the group that is intent on toppling the Afghan government. The Russian Foreign Ministry announced that it is sharing intelligence and cooperating with the Taliban to fight ISIS in Afghanistan.<sup>30</sup>

In 2017, Moscow gave 10,000 Kalashnikov rifles and millions of rounds of ammunition to the Afghan government. Further Russian military and economic aid is expected to flow to Kabul. Moscow has now also provided logistical support for the reconstruction of the war-torn nation. "*Russia shares friendly relations with the Afghan government, but it has no confidence in the China and US-mediated peace talks with the Taliban,*" said Javid Ahmad, a South Asia expert at Yale University. "*The Russians are more interested in a parallel diplomatic effort led by Moscow to promote their own interests.*"<sup>31</sup>



## **Russia's Hybrid Strategy**

In 2017, Russia made increasing use of hybrid warfare as a central component of its national security and foreign policy. Russia no longer boasts the overwhelming conventional force needed to stand on par with the North Atlantic Treaty Organization (NATO) and reclaim the lands it lost in the crumbling of the Soviet bloc; Russia has had to turn to other means to maximize its advantages and minimize its weaknesses.

In the late 2000s, Vladimir Putin's consolidated power and Russia began to regain some of its former standing. Russia's comeback enabled it to push back against Western encroachment in its periphery. But its success was short-lived and between Ukraine's Euromaidan uprising and Western sanctions and military build-ups, Russia found itself struggling to protect its interests once again. Tensions between it and the West have since mounted, and Moscow has turned to hybrid warfare in search of the upper hand.

Hybrid warfare for Russia aims to protect its seats of power in Moscow and St. Petersburg. Moving outward, Russia's second goal is to block foreign influence in its periphery before tackling the third objective: stretching the Kremlin's reach. As Russia is no longer able to project the kind of global power it claimed in the Soviet era, hybrid warfare will increasingly become its best option to compensate for its weaknesses and sap its enemies' strength.

Using an increasingly diverse array of tactics, conventional and otherwise, the country has deftly wielded its political sway in the former Soviet Union and Eastern Bloc. But its reach extends well beyond its traditional sphere of influence to countries such as the US, France and Germany. Moscow's dealings with these powers have showcased its hybrid warfare strategy, combining various techniques to try to create political chaos and undermine the leading members of the transatlantic alliance. Political manipulation, electoral meddling, cyber attacks and information warfare have been key tools.

Russia's interference in the 2016 US presidential election, was its most significant foray in hybrid warfare, is still wreaking havoc on the US political system. Without the conventional abilities to challenge US power projection, Russia opted for other ways to try to undermine the country's influence. The Kremlin believed that Hillary Clinton, as Barack Obama's former secretary of state, would continue and possibly intensify her predecessor's policies against Russia if she assumed the presidency. Considering the alternative, Moscow had an interest in supporting Donald Trump, the less-experienced and more sympathetic candidate who called to improve ties with Russia and questioned the efficacy of NATO during his campaign. In a breach traced back to Russian intelligence agencies, hackers accessed Democratic National Committee servers and released thousands of emails in July 2016 at the height of the presidential race. The incident is widely interpreted as an effort to aid Trump's campaign in defeating Clinton and has become the focus of several investigations by Congress and the FBI. It wasn't the first time a government had tried to influence a foreign election; the US itself has meddled in votes abroad. But the hack's high-profile target, and efficacy, raised global awareness of Moscow's hybrid warfare tactics to new heights.

As Russia's exploits have shown, the country is creative and adaptable. Moscow is sure to find new ways to surprise the West, notwithstanding some setbacks. Its resources, however, are finite. Apart from the challenges that today's lacklustre oil prices and financial troubles pose, Russia's population is in decline, projected to fall by more than 10% by 2050. The drop will limit its financial as well as military resources, both of which are essential to Moscow's hybrid warfare strategy.

## **Putin's Domestic Troubles**

On 12 June 2017 tens of thousands of demonstrators marched in 150 cities across Russia, including in Moscow and St. Petersburg. These were part of the largest set of protests ever seen during President Vladimir Putin's reign, especially in terms of scope and also in size. The dissenters focused on some of the most entrenched, systemic concerns Russia faces today — government corruption, a stagnant political system and a weak economy. And unlike the mass protests of 2010, 2011 and 2012, the June 2012 gatherings were not sparked by a specific trigger — an election, for instance — that the Kremlin could easily address. The protesters of 2017 rose up against long-standing issues that strike at the very core of the Kremlin's system.

Vladimir Putin has now been in power for the last 17 years and now faces the same societal and political divisions that in the past brought down the Russian monarchy and later the Soviet Union. A generation of children born after the fall of the Soviet Union are coming of age and are more politically active and socially connected than are their parents. Russian opposition parties operate primarily at the street level and have little to no national-level organization since the Russian legal system favors pro-Kremlin parties. At the same time, the ethnic makeup of Russia is changing: Slavic Russian populations are declining, and Muslim populations are increasing. Furthermore, the economy is hurting, political infighting is weakening the Kremlin, Russia's regions are turning against Moscow, the country is locked in a tense standoff with the West, and it faces challenges to its territorial integrity from all sides. The Russian economy is also in trouble. Whilst it has come out of the recession it has now settled into stagnation. As a result Russia is suffering from a major banking crisis in which hundreds of banks have been closed down in recent years. A good number of the big state firms have been asking for bailouts. Regional governments are also heading towards bankruptcy.

Putin rose to power as a saviour in a time of chaos. Putin catapulted himself to prominence during the turbulent 1990s as Russia floundered in economic crisis under President Boris Yeltsin, the country's first post-Soviet leader. At the time, a handful of wealthy businessmen had pilfered most of the country's assets, secessionist movements were taking shape in many Russian regions, the military and security services were decaying, and another war in Chechnya was brewing. The government, meanwhile, was in disarray. Putin made his name in St. Petersburg rather than in the capital. But his decisive leadership as head of the security services, prime minister and then president soon won the Russian people over. Putin brought the country's dissenting regions in line, sent the Russian military charging into Chechnya, began returning strategic assets to the state's control and purged disloyal politicians, all while promising the public a pay check. The new leader vowed to rebuild Russia and restore it to its rightful position on the international stage. He also wanted to improve the country's ties with the West.

Putin now faces the same challenges as all the previous rulers of Russia. Putin, like so many Russian leaders before him, still presides over a huge country inhabited by diverse peoples, hampered by a narrowly focussed economy and surrounded by rival powers. Putin like all his predecessors adopted an authoritarian style of governance to maintain stability. The Kremlin banished independent media, non-systemic political parties and foreign nongovernmental organizations; dissidence is punishable as terrorism today, and protests are swiftly quashed. Putin's tactics, although not as brutal, follow a line of reasoning similar to that of Soviet General Secretary Josef Stalin: Russia is too fragile a country to rule without force. He has even pitted the country against the West in a standoff worthy of the Cold War. The leader who once suggested Russia could

eventually join the North Atlantic Treaty Organization, now claims the alliance is Russia's greatest enemy

After years of demonstrating his might as a strongman, Putin now faces a host of internal challenges that are starting to test his system's sustainability. Russia's economy is settling into a period of prolonged stagnation, and while the country's government can muddle through, its people are a different story. Russians on average spend half their income on food. One-quarter of them have experienced cuts or disruptions in their salaries, and some 20 million people, or 14% of the population, now live in poverty. The poverty rate, in fact, is rising faster than it has since the 1990s. In addition, the Kremlin is dealing with changing demographics. More than 25% of Russia's population today was born after the Soviet Union collapsed, meaning a growing number of Russians have little or no memory of the chaos that prevailed before Putin took power. The rise of social media has made it harder for Moscow to control the news that reaches its public. The political system is beginning to decline as the country's leaders age. And at the same time, tensions are mounting between the country's waning Orthodox Christian population and its growing Muslim community.

Compounding the Kremlin's domestic worries are its foreign policy concerns. By failing to uphold Viktor Yanukovich's government in Ukraine during the 2014 Euromaidan uprisings, Russia cost itself an ally and jeopardized its national security. The US and EU have kept sanctions on Moscow in the years since, and NATO has continued its build up along Russia's periphery. Furthermore, the Kremlin's interferences in foreign elections have backfired, as has its barrage of cyber attacks, propaganda and disinformation campaigns aimed at Western targets. Now Russia faces an increasingly unified front against it.

Yet notwithstanding these changes — along with the spate of mass protests across Russia and the growing resistance from its regional leaders — the Kremlin is holding fast to the system that has been in place nearly 20 years. Putin will probably seek a fourth term in office in March 2018, and the government has banned opposition leaders from running against him. To further shore up his rule, the president has cracked down on dissidence and deployed a new security force across the country. What makes the current opposition crusade so strong is that, unlike in previous protests, its members' grievances are too complex to allow the Kremlin to easily respond. The movement is seeking reform for the regime's entire system — social, economic and political. Such deep changes would threaten the administration's stability on multiple levels. The set of grievances growing among the Russian people has also given further momentum to the opposition. The majority of the demonstrators in 2017 were mostly organized via social media, were young, representing a new and politically active generation who have only really known Russia under Putin.

Putin and the Kremlin have responded by aggressively centralising the government even more into an autocratic regime. The Kremlin has been pouring a large amount of resources into the security agencies, even creating a whole new national guard just for Putin, which is wholly loyal to Putin himself. This signals that Putin is not only worried about what's happening on the streets, but also challenges within the Kremlin itself. The Russian state is also taking on much more responsibility for the economic and financial stability of the country itself through nationalising the banks. Overall the Kremlin is taking on an unprecedented bandwidth of responsibility in order to deal with numerous brewing problems, something not seen since the fall of the Soviet Union.

## Conclusions

Russia has for the moment presented itself as a global power who acts around the world and this has maintained a degree of popularity for Putin within Russia. Russia's image across the world is one of strength currently, despite the fact that its only evidence of this is in Syria, which was with American acquiesce and significant Iranian and Turkish help. Nevertheless, the global super power is forced to take Russia into account to achieve its interests and as a result Russia remains a power, although its influence is largely regional, rather than global. Russia is a power, just not like the one it was before, and this means it has a seat at the table of global issues. Its ability to bend the international situation is extremely limited, but Russia projects an image of strength and this is important internationally.

## 2018

**Russia's Narrow Economy** - Russia's economy has historically been driven by Wheat production and energy, these sectors stimulate the wider economy. In 2017, Russia managed to stave off domestic unrest, thanks in part to some creative fundraising to offset the losses incurred due to low energy prices. In 2018, it will use its strategic reserves to buy even more time – time it desperately needs to try to diversify its economy.

**Russia's Isolation** - Russia has been somewhat isolated from the rest of the world since 2014, when it responded to the Ukrainian revolution by annexing Crimea and supporting uprisings in eastern Ukraine – thus incurring Western sanctions. The country, therefore, is a convenient scapegoat for populists and nationalists of the West who blame the countries' problems not on domestic structural issues but on far-flung foreign conspiracies. Russia cannot afford to be isolated any longer. It has almost spent all the money in its Reserve fund, and it must begin the process of economic transformation now if it is to have a chance of taking root. Put simply, Russia needs to rejoin the world in 2018.



The 19th National Congress held at the Great Hall of the People, Beijing, between 18 and 24 October 2017

# China

*2017 saw China gear up for its 19th Party Congress, which takes place every five years. The summit assessed the country's performance and accepted huge challenges lie ahead. As China stands at a critical juncture in its three decades long development its strategy of managing the next phase became clearer with the conference. China's rise and development is naturally leading it to bump into other powers and in 2017 this took place at 14,000 feet above sea level in Doklam Plateau in the Himalayas. China also showcased progress in its military ascent with the launch of a new aircraft carrier and its first foreign military base.*

## The 19th National Congress

Chinese President Xi Jinping presided over the meeting of the Chinese Communist Party, called the National Congress. These meetings are held in China every five years, and like most political gatherings in most countries, they usually involve celebrating the party's achievements and invoking how good things are and how bad things would be without them. But the 19<sup>th</sup> national congress in China took place in a very different context because it was about crafting a new course for China.

The president kicked off the quinquennial gathering with a 4 hour speech in which he laid out an ambitious vision for the country — not just for his upcoming term, but also for the next 30 years. The era of President Xi Jinping is just beginning. He has been in power for five years, Xi is embarking on his next half-decade term, and the events of the Party Congress suggest he may be leading the country — both formally and ideologically — for many years to come.



China's transition period has been ongoing for nearly three decades and when Xi entered office five years ago, he focused on consolidating power and weakening his opposition, setting the stage so that he could lead the country through this period and into the future. Now Xi's era truly begins, though he and the Communist Party face significant challenges ahead the most important of which are discussed below.

1. China's period of huge economic growth is now over. Deng Xiaoping created a China with Special Economic Zones (SEZ) on its coastal regions and integrated them into the global economy. This model of aggressive and cheap exports abroad and low wages at home has now harvested. Driving your economy on exports makes one dependent on the appetite of other countries. When they stopped buying manufactured goods, as they did in 2008, China was dealt an economic blow. A new model of economic growth is now needed.
2. China's economic model created immense wealth. Its GDP on the eve of its reforms in 1979 was \$186 billion. Today the country's GDP is a colossal \$11.2 trillion. But much of the country has not seen this wealth. Today you have a wealthy China along its coast and an impoverished China in the interior, with an insufficient middle class, unable collectively to consume what China's overbuilt industry produces. Amid rapid growth, corruption intensified as well as inequality.
3. China has entered the international arena but currently only as an economic power. Its military has developed but is still incapable of asserting and defending its strategic interests, especially those far from its coasts.

China's solution to these systemic challenges is through retaining a one-party system. Xi made clear that a single-party dictatorship will and must remain in place and likely needs to be strengthened. In making this an essential point this means the Communist party will be the political safety net preventing China from falling backward into the chaos of the pre-communist era. If they succeed, the party will be the critical instrument guiding the country to new wealth. Xi did not announce a successor to take his place in five years, or whether the party and Xi should now be seen as synonymous. Delegates of the Communist party approved a much-anticipated amendment to its constitution that enshrines Xi's guiding theory, titled "Xi Jinping's Thoughts on Socialism With Chinese Characteristics for a New Era." The move places Xi, already a 'core leader' in the Party, above Deng Xiaoping and on the same level as Chairman Mao Zedong in the Party's ideological history.

*"China's solution to these systemic challenges is through retaining a one-party system. Xi made clear that a single-party dictatorship will and must remain in place and likely needs to be strengthened. In making this an essential point this means the Communist party will be the political safety net preventing China from falling backward into the chaos of the pre-communist era."*

Xi highlighted his strategy on how he plans to restructure China's economy and deal with the massive inequality. Xi outlined China's economic strategy will emphasize quality over quantity. He highlighted the importance of China's technological capabilities – their advancement is essential. He promised to lift from poverty those who had been left behind. Without high growth rates, the only way to do this is to transfer wealth from affluent regions. This is to be achieved with the continuation of Xi's anti-corruption campaign which is designed to break the economic power of the Chinese

oligarchs and transfer their wealth. The coastal regions will feel the pain of such social generosity and will resist. Xi promised to lift everyone out of poverty by 2020. That means transfers of wealth and the shifting of capital to consumption.

Much of how China will navigate its future lacked detail and are probably still to be determined. But the 19<sup>th</sup> national Congress made clear that the tough reforms and structural changes needed, will be achieved with a dictatorship at the centre of the strategy.

The most significant aspect of Xi's speech was that underneath his presentation of solutions, he admitted to the huge problems and weaknesses of China and acknowledged that there are no guarantees the new way will work. A vision of China surging to pre-eminence has dominated the past generation. Xi shattered the grand illusion but in a way that makes it seem that success in the future is assured.

## **Military Development**

Whilst many in the world have viewed China's military as one on the ascent, in his speech at the National Congress Xi promised successes that many thought China had achieved or was on track to achieve. In particular, the promise to build a world-class military in 35 years shocked those who thought China was already there. China military modernization has continued in 2017 and a number of key developments took place.

On 18<sup>th</sup> April 2017 President Xi Jinping announced the start of the next phase in the effort to modernise the Chinese military. The program, launched in 2015, aims to enable China to wage modern warfare by updating the military's structure, its command and control, and, in particular, its service branches' ability to conduct joint operations. Xi's announcement highlighted his administration's progress with the plan.

At the centre of the country's military modernisation is to develop a capable joint force. This has required the elevation of the navy and air force to the detriment of the army, who was for long the nation's pre-eminent military branch. The Second Artillery Corps (now known as the Rocket Force) upgraded to a full-service branch. The military was structurally reorganized from four military departments into 15 agencies and consolidated the People's Liberation Army's seven command areas into five regions. In addition, the government said it would retire a projected 300,000 troops, including generals and headquarters units, to streamline its force structure. The country's leaders braced for opposition towards this move.

Having established the new military structure's strategic framework, China's leaders announced how they planned to address its operations. To that end, Beijing announced that it had established or adjusted 84 corps-level or equivalent units representing armed formations from across the military's branches to improve their efficiency. The revised units will have the advantage of more combined arms, less overheads and streamlined logistics. Operational reforms will likely require considerable time and effort, given the vast number of formations that will have to integrate into the new command and control structure.

## Naval Development

On the 26<sup>th</sup> April and after 3 years of construction the Type 001A aircraft carrier was launched. China's first aircraft carrier, the Liaoning, was built atop the hulk of a stripped-down surplus Ukrainian ship. But this new carrier – the Type 001A features the same ski jump-style take-off ramp as the Liaoning but incorporates internal features that make it more operationally effective. The technical advances in China's growing carrier program, alongside the rapid development of other aspects of Chinese naval power, point to Beijing's growing ability to fulfil naval ambitions.

The Chinese navy's principal mission remains the "offshore waters defence" of claimed Chinese territory, both the territorial waters 12 nautical miles from its mainland and its maritime claims in the South and East China seas. Those near seas encompass the waters ringed by the series of islands stretching from Japan to the Philippines to Indonesia, which the Chinese dub the "first island chain." To defend those claims, the Chinese have developed a layered approach to denying sea access by other countries. That strategy employs a combination of fast-attack missile craft, submarines, and the land-based anti-ship cruise and ballistic missiles of China's Rocket Force rather than large surface ships to counter and intercept encroaching ships and aircraft.



China has made tremendous strides in developing the components it needs to build a navy capable of global operations, including improving and intensifying the training of officers and crews. But a number of obstacles will hold china's navy back. China has fallen behind leading nations in the development of nuclear submarine capabilities, particularly in making subs that can operate quietly. In the current age, dependable and effective nuclear submarines are a critical part of the navies of any seafaring nation with global blue-water ambitions. With their endurance, speed and armament, nuclear subs can fill multiple roles: hunting enemy submarines, escorting carrier groups, and attacking enemy shipping among them.

China also has a long way to go in modernizing its anti-submarine warfare capabilities. Chinese naval squadrons, particularly those operating with insufficient land-based air cover, would be highly vulnerable to submarine attack. China is only now beginning to make considerable progress in anti-submarine warfare with new helicopter programs and the development of the Type 054B frigate, which is optimized to counter submarines.

The biggest obstacle to Chinese global naval maritime ambitions is its limited global logistics framework, particularly in terms of replenishment ships and available ports for resupply and maintenance. This is an increasing constraint for all this intensifying naval activity. While China could adequately support its fleet operations in the East and South China seas given its current fleet, Beijing's expanding global deployments in particular are beginning to task its supply ships — despite the fact that China has the second-largest oceangoing replenishment fleet in the world. To address this growing deficiency, the Chinese have resorted to investing heavily in new replenishment vessels. The Chinese are continuing the construction of Type 903A replenishment ships. Beijing is also making use of civilian tankers. The Chinese navy has resorted to improvisation in certain cases where demand has outstripped supply. As a result, the Chinese navy is putting in

place measures to allow its ships to undergo both parallel and tandem replenishment from Chinese civilian tankers.

China is seeking to enhance the number of foreign ports available to Chinese vessels for replenishment and maintenance. Most of the country's naval vessels are not nuclear powered and must therefore stop at ports to refuel, limiting their capabilities and reach.

### China's First Foreign Military Base

On 11<sup>th</sup> July 2017, with much fanfare, two Chinese military ships and personnel set sail from the port at Zhanjiang for Djibouti, where they were to help set up China's first permanent overseas military base. China's official explanation of the mission was to assist and resupply its naval peacekeeping forces in the region.

The choice of Djibouti as the location is all the more important as 80% China's seaborne oil imports pass through this route through the Indian Ocean. The need to ensure access to this route has been the motivation behind the "string of pearls" strategy, which is securing access to the Indian Ocean and through various chokepoints by building military and commercial facilities throughout the South China Sea, the Bay of Bengal and, to a lesser degree, the Arabian Sea. Facilities have already been developed in Bangladesh, Myanmar, Pakistan and Sri Lanka.



Few details about the facility were made public, and what little is known suggested that the base would not have any military significance. No information on the number of personnel to be stationed there, the length of their deployment or a timetable for operability was revealed. Some estimates suggested that 2,000 soldiers – likely marines and special operations forces – will eventually be stationed at the base. An amphibious transport dock and mobile landing platform vessel were sent to Djibouti. But notably, military expert Zhou Chenming told the South China Morning Post that the facility "*is not a military base in the full sense*" but that its capacity could be expanded later to repair ships and accommodate planes.<sup>32</sup> By the end of the year, the facility will hold weapons and ammunition and will include wharves for stationing Chinese navy ships. It will cost the Chinese \$20 million annually to rent the base, which covers 36 hectares near a commercial port owned by Chinese companies. Despite the coverage given to China's first foreign military base so little remains known about the nuts and bolts of the base, it would be difficult to reasonably conclude if it can help China project power abroad.

For the foreseeable future China's navy lacks blue-water capabilities – the ability to operate in the deep waters of the world's oceans. The navy has ambitious plans to develop these capabilities, but doing so takes at least one or two generations. This is based on no major disruptions or pauses in the process. China's navy does not currently have any operational aircraft carrier battle groups. Its sole operational aircraft carrier, the Liaoning can carry about half the number of planes a US aircraft carrier can. The Chinese navy has yet to overcome basic logistical problems, including refuelling. Most of the country's naval vessels are not nuclear powered and must therefore stop at ports to refuel, limiting their capabilities and reach.

China can't project power globally. It has to be selective in setting its priorities, and Africa isn't at the top of this list. China's real concerns are much closer to home. Any imports coming through the Indian Ocean destined for China must pass through the Strait of Malacca, a major chokepoint bordered by Malaysia, Indonesia and Thailand. Passage through the strait is secured by the US Navy, but the Chinese don't want to rely on the US for access to such an important route. Chokepoints are also an issue in the South China Sea, where China and several other East Asian states are competing for territory. What capabilities and resources Beijing does have will be focused on this region rather than the Horn of Africa.

### **CASE STUDY: China's Military in Perspective**

China continues to garner significant military attention due to the pace and scope of change taking place. The change in the perceived balance often drives alarmist cries — similar to those regarding the Soviet Union in the 1970s. But China is not a global player like the Soviets, nor has it yet developed the institutional knowledge and memory to effectively tie together all of its new and emerging systems. It is misleading to argue that rising Chinese military power is necessarily a zero-sum game with US power. China may be developing new technologies at a rapid pace, and adding ships, planes and tanks to its inventory. But a bean-counting approach to the military balance is a black and white approach and over-simplistic today as it was during the Cold War.

China's recent launching of its first aircraft carrier has raised concerns from US pundits about the continuing rise of the Chinese military and the parallel decline of US military power and subsequently US military superiority. Over the past few years, it is difficult to go a week without hearing of another advance by the Chinese military — from its testing of a hypersonic missile and an expanded nuclear submarine base, to so-called carrier-killer supersonic missiles. Images of China's latest military aircraft keep appearing in strategically timed leaks, China's navy and air forces have increased their activities well beyond China's coast, and even far beyond China's claimed territorial waters. Today Chinese ground forces take part in foreign military exercises and are deployed far afield as part of United Nations peacekeeping operations.

The military rise of China comes as the US has been looking to reduce its overall global presence. The end of more than a decade of war in Iraq and Afghanistan provided a natural transition point for the US military to adjust its force posture and priorities, and budgetary constraints are forcing the reassessment of several high-cost systems. The pace and scale of Chinese military advances, particularly in equipment development and deployment, is being contrasted to a US military that is being characterised as in decline, or at least slipping from its preeminent position. But many of these comparisons are misleading. The number of weapons systems, or even the level of technology applied, is only part of the calculation.

When evaluating a force, you have to measure it against what mission it is trying to accomplish and against what adversarial force it may face, as well as its ability to effectively coordinate and support its assets. The Chinese military is now expanding from a very low capacity, from a military designed largely for internal security, and one characterized by the predominance of the ground forces over the air and naval forces. The Chinese military should not be looked at as trying to match the US military in global capabilities. For China, its primary interest is its own region, where there are numerous security issues at play, even excluding the US.



Distance provides the Chinese with some strength over the US in the West Pacific, but that same geography also places China's resources in a very active region with diffuse potential threats. This leaves the Chinese having to focus on three levels of potential security concerns: small weaker states; Japan and Russia (its two potential competitors); and the distant but regionally present US, which remains the only global power. In designing its grand strategy, doctrine and force structure, China has to balance how it would ideally handle any combination of the three.

China draws a lot of attention in the world as well as the Pentagon because it is essentially the only potential opponent that is in ascendancy and a near-peer competitor from the US point of view, at least in a specific region. China may not be a likely global power, but regionally it is developing strong capabilities. The perception of the pace and scope of change is what draws attention, and changes in the perceived balance sheet often drives alarmist cries — similar to those regarding the Soviet Union in the 1970s. However, China is not a global player like the Soviet Union, nor has it yet developed the institutional knowledge and memory to effectively tie together all of its new and emerging systems.

## China v India

The two most populous countries in the world – India and China have always had tense relations despite periods of peace and stability. Both nations are separated by the Himalayas, but this has not stopped wars between them, which have been defined by border disputes. In June 2017, a remote area called the Doklam Plateau in the Himalayas where the boundaries of China, India and Bhutan meet made headlines when Indian and Chinese troops began a standoff over a road construction project. China conducted a live-fire exercise in the area, and there have been false reports of deaths. Many expected there to be another war between China and India. China accused the Indian army of provocatively violating the border with China.



The Chinese-Indian border conflict is not a new and Doklam represents just is a small part of a much bigger dispute. India and China share a 2,521-mile border known as the Line of Actual Control, and nearly all of it is in dispute. In the North-East lies Arunachal Pradesh, which was annexed to the Indian territories during the British occupation of India. However, Beijing claimed sovereignty over it and this border conflict led to the first Sino-Indian War of 1962 after tensions over Tibet. India suffered a rousing defeat during the short war but despite that India maintained control over Arunachal Pradesh, after the Chinese pulled their troops out at the end of the conflict due to international pressure. China still claims Arunachal Pradesh as "South Tibet," and Chinese troop incursions along the poorly demarcated border are not uncommon. In the northwest lies Aksai Chin, a territory in Kashmir that India claims but China has administered ever since capturing it from India in 1962, when the two countries fought a short, sharp border war in which China emerged the victor.

## Areas of Dispute Along the India-China Border



What took place in June 2017 was just the recent stand-off over the borders of the long standing regional conflict between the two giant powers of Asia. The dispute started after Chinese construction trucks, accompanied by soldiers, rolled south into the disputed region of Doklam to build a road. India and Bhutan consider the region to be Bhutanese territory whereas China claims the land as its own. New Delhi says it intervened on behalf of Bhutan, whilst Beijing accused India of violating its territory. Bhutan, for its part, said China's road-building was a violation of a 1998 agreement that calls on both sides to maintain the status quo in the disputed area.

From Beijing's perspective, its claim to the Doklam region is well supported by a series of documents, which the Chinese foreign ministry cited in press conferences. The Chinese foreign ministry referred to a 1890 border agreement between Britain and China for the first time to support its Doklam claim. Article I of the Sikkim-Tibet Convention, signed on March 17<sup>th</sup>, 1890, by Henry Petty-Fitzmaurice, then British Viceroy of India, and Sheng Tai, the Qing dynasty's "Imperial Associate Resident" in Tibet. From the Indian point of view, if the Chinese are allowed to construct the roads, it would make navigation to the Gamochen region easy and this would mean that the Chinese-Indian-Bhutanese "tri-junction" is shifted further south, making it dangerously close to the vital Siliguri Corridor.

What made this obscure plateau so important was its relationship to the surrounding landscape. The Doklam plateau overlooks the Chumbi Valley and would be arguably the most strategic staging area from which to defend – or attack – the Siliguri Corridor. To maintain its territorial integrity, India must control the corridor and meet any challenge to that control. For this reason, the government in New Delhi could not tolerate the slightest Chinese presence, nor could it allow China access to Dolam – not even in the form of a road.

If China were to gain control of the Siliguri Corridor, it could cut India off from its north-eastern states and stake its own claim to the territory. And this isn't just some trivial collection of states: They host the upper half of the Brahmaputra River, which flows through Bangladesh and drains into the Indian Ocean. Whoever controls this river controls the freshwater supply and flow to Bangladesh. Access to the Indian Ocean is a Chinese imperative because it would enable Beijing to bypass the many maritime chokepoints in the South China Sea and would make it much harder for the US Navy to hem China in.

By the end of August 2017, a breakthrough was achieved when both countries agreed to disengage troops, according to a statement issued by the Indian External Affairs Ministry on August 28<sup>th</sup>. The standoff was just the latest manifestation of a border dispute that began long before Chinese soldiers tried to extend a road through the contested region in June 2017 and one that extends well beyond the area in question. Therefore, this issue and the underlying causes remain unresolved.

## **Conclusions**

The Chinese leadership is expecting serious challenges from its economy slowing, to the need to re-orient the economy, to internal social issues and to competition in the South China seas. The Communist party is preparing for this by creating a dictatorship and carrying out a purge of corrupt officials and others who may stand in the way. China managed to stave off US president Donald Trump's attempt to officially call it a currency manipulator and the aggressive positions Trump took in his campaign against China have not materialised. China spent much of 2017 on internal consolidation due to the challenges ahead and it continues to represent a potential challenger to the US in its region, not the world for the moment.

## **2018**

**Debt**– When China's cheap exports collapsed in 2008, government investment became one of the primary drivers of economic growth and employment in China. The funds for such ample investment had to come from somewhere. The vast majority of Beijing's investment has been financed by debt, whether in the form of loans, bonds or other types of formal and informal lending.

Most has come from state-owned banks: In 2015, outstanding bank loans equalled 141% of GDP, while outstanding bonds totalled 63% of GDP. All of this debt, especially the money that found its way into the country's housing sector, created a housing bubble which has now created deeper debt problems. China has amassed the largest build up of bad debt in history. Researchers at a Chinese state planning agency said in 2016 that China has "*wasted*" \$6.8 trillion in investment. Overcapacity is so significant in many sectors that it will take years for it to be absorbed by organic demand. Sound loans, by definition, result in commensurate GDP growth. So when private-loan growth outstrips GDP growth, much of that excess will be problem loans. In 2018 China will have to tackle this

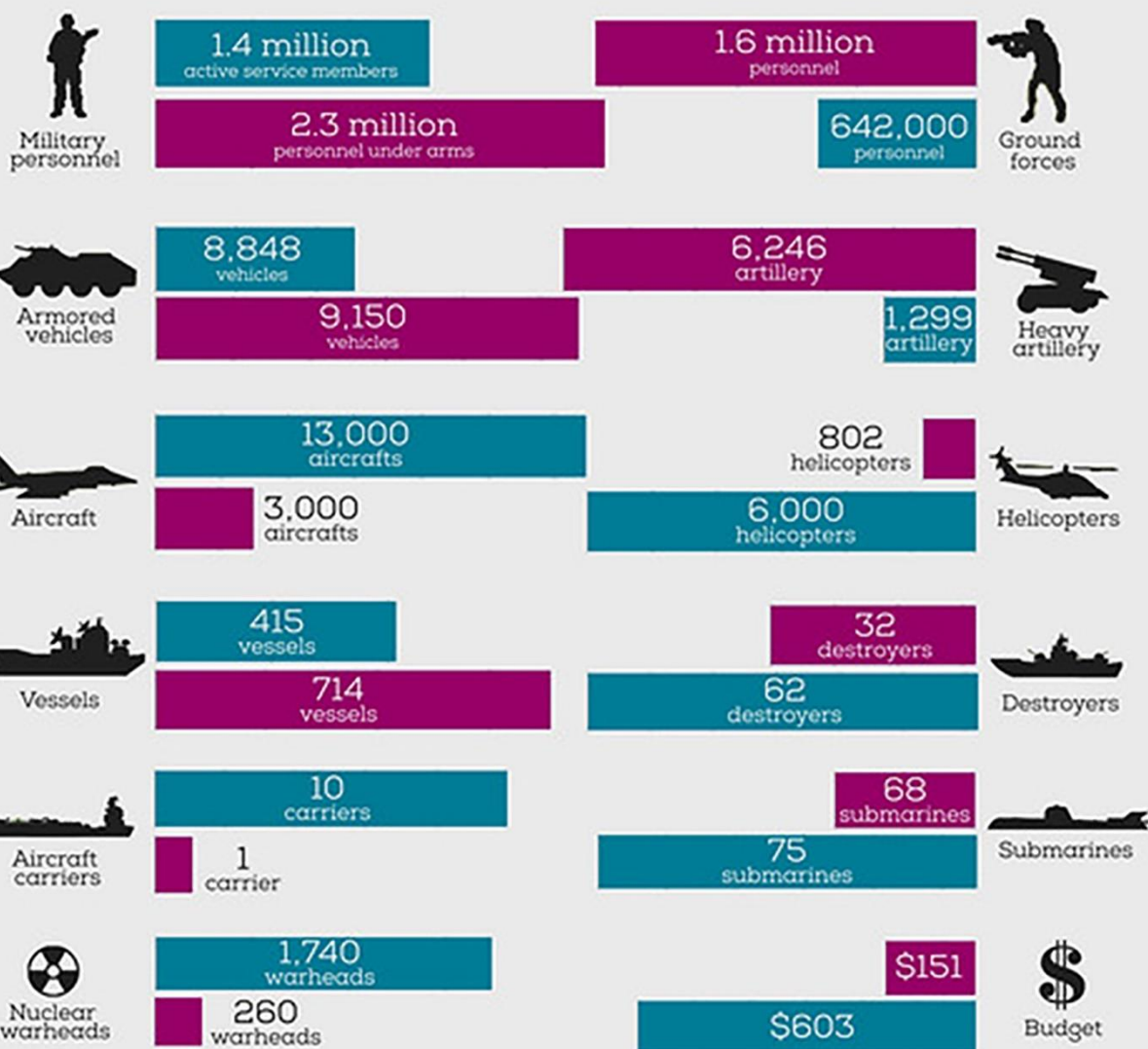
**Wealth Distribution** - For decades, China was an engine of economic growth throughout the world. But the wealth from this growth remained largely on the coastal regions, whilst its interior saw little of it. Today 5 regions of China's 34 regions produce half the nation's wealth. Significant structural reforms will be needed to change this. But such reforms will likely alienate the elites, but the regime in China will need to undertake painful structural reforms in 2018 otherwise it may face massive social unrest

**Global Power** – China has yet to outline what its agenda is for the world. This is mainly because China lacks global ambitions currently. Whilst China has been making economic deal across the world, how the world should look and what China plans of the world is markedly missing. In 2018 and beyond China needs to show the world it has global ambitions which and highlight what the world should look like. This will show China indeed has a global outlook and not the current regional one.



# U.S.A - China

## MILITARY POWER



**LEGEND** ■ United States of America ■ China





# Europe

*The European Union's differences were on full display as it attempted to tackle the task of reforming the union. Critical elections in France and Germany took up much of the year but proposals on the future of the union began in 2017 only to highlight the recurring differences of the union. In the midst of this Catalonia's independence referendum set in motion a chain of events whose consequences are still being felt across continent.*

## Catalonia

In 2017 Catalonia vied to become Europe's newest nation-state. Spain's richest region, Catalonia held its independence referendum on 1<sup>st</sup> October 2017 and the result showed 92% of the 43% who voted, voted for independence. Then on 27<sup>th</sup> October 2017 Catalan lawmakers voted to declare independence — barely. Only 51.8% of members in the Catalan parliament supported the declaration.

Immediately, the Spanish government took control of Catalonia, dissolved its parliament and announced new elections pushing the country's worst political crisis in 40 years to new heights. The Spanish Prime Minister, Mariano Rajoy, said his cabinet had fired the regional president, Carles Puigdemont, and ordered regional elections. The Catalan government had been removed along with the head of the regional police force, the Mossos d'Esquadra. The Catalan government's international "embassies" are also to be shut down. The Spanish prime minister highlighted: "We never, ever wanted to get to this situation. Nor do we think that it would be good to prolong this exceptional [state of affairs]. But as we have always said, this is not about suspending autonomy but about restoring it."<sup>33</sup>

Spain's has always had regional identities who reside across the country's mountainous terrain. This led to the emergence of strong regional identities that didn't trust the central government. For the

past five centuries, successive Spanish governments opted for a carrot and stick approach to prevent the country from disintegrating. Francisco Franco's dictatorship from 1939-1975 tried to suppress Spain's regional identities by denying them political and cultural rights, the constitution of 1978 created one of the most decentralized political systems in Europe, giving Spanish regions high degrees of autonomy. This seemed to have settled Spain's long history of separatism.



*Spain's Regions*

But over time, the same issues that for centuries had divided Catalonia from the rest of the country began to crop up again. Even as Spain's economy grew after 1978, Catalonia remained significantly richer than the rest of the country. Today, the region's gross domestic product accounts for 20% of Spain's GDP. The 2008 financial crisis hit Spain particularly hard. Youth unemployment spiked to over 50% in 2014 and remains around 40% today. Overall unemployment has been declining but is still over 16%. Catalonia wants more control over its economy and less of its tax revenue going to the central government. And it began reinstituting cultural markers such as teaching the Catalan language in schools. The grand bargain that was reached in 1978 has failed to hold up in a post-2008 world.

The separatist call has its roots in the global financial crisis that began in 2008. The growing dissatisfaction with fiscal transfers within the Spain, which many Catalonians believe hurt their region disproportionately, remains the central driver of the desire for independence. Like most federal unions, the Spanish central government engages in fiscal redistribution among regions, which, effectively, transfers resources from "have" regions to "have-not" regions. A 2012 research paper, by economist Núria Bosch of the Institut d'Economia di Barcelona, found that Catalonia contributes 119% of national fiscal resources compared to the national average, but receives only 102% of the national average after central government redistribution — knocking it from third to ninth in the fiscal league table. The Catalan government wanted a bargaining chip it could use in its negotiations with the Spanish government over taxes and other issues related to the region's political autonomy. Catalonia has more to gain economically by remaining a part of Spain, but its use of its identity as a rallying call has led it to much grandstanding leading to a referendum vote.

*“Catalonia has more to gain economically by remaining a part of Spain, but its use of its identity as a rallying call has led it to much grandstanding leading to a referendum vote.”*

Spain faces what has now become a rallying cry throughout Europe. Many of those who hold anti-EU sentiment have based this on the fact their nations are putting more in to the EU than they are getting in return.

The Spanish government reacted with much force to the Catalan regional government's moves — even though only 42% of Catalans showed up for the vote. Catalonia is just one of 19 autonomous regions in Spain. Basque Country, with its own language and unique culture, has also been vying for independence, and as recently as the 1990s, Basque separatists carried out terrorist attacks in Spain in support of their cause. If Spain does not crush Catalonia's independence movement now, it could open a Pandora's Box, with other regions demanding more autonomy or even separation, and Spain can't allow this to happen. This would explain why Madrid asserted direct control over Catalonia; anything less would have given the appearance of Spain being weak.

The response of the EU on the one hand remained steadfast in support of its member state, Spain. But Spain used force to maintain its writ in Catalonia. The EU could either support a member state for using force to quell a political rebellion that seeks the very thing the EU was designed to protect — national self-determination — or it could have supported the right to self-rule for the people of Catalonia but, in so doing so completely undermine the position of the Spanish government. In the end the EU stood by the Madrid government. The problem for the EU now is Spain will in all likelihood be a model for Europe. Catalonia is the first major secessionist movement to take concrete steps toward achieving independence in post-Maastricht Western Europe, but it won't be the last. How Spain and the EU respond to Catalonia will set the tone for how the EU will respond to separatist or autonomy movements in places like Scotland, northern Italy, or other regions with dormant nationalism that may bubble to the surface. The electoral victory of the Catalan pro-independence parties in the snap election of December 21<sup>st</sup> 2017 only complicated matters further for Madrid.



## **Banking Union**

There is a big difference between the European Union and Europe and this distinction is key. Europe is an entity with 52 sovereign states and has been the epicentre of the world for around 500 years. The European Union is a treaty institution that organises the integration of its members thus blurring national sovereignty. Today the EU is not working or functioning like a decade ago. It can no longer make core decisions, it is struggling to pursue economic integration and it's involved itself in member nations, which has caused anti-EU sentiment to grow and spread. More and more people are running away from the EU as it becomes dysfunctional.

More integration is how pro-EU officials believe such problems can be resolved and in 2017-member states began working on the future of Continental integration. But as in the past, their different interests and priorities got in the way of the outcome.

One of the main topics on the reform agenda in 2017 was the EU's banking union that aimed to make the eurozone's financial sector more resilient to crisis. In 2012, eurozone countries agreed on a three-step plan to deepen the integration of the currency area's banking sectors. The first step was the introduction of a single mechanism to enhance the European Central Bank's role in supervising Europe's largest banks. The second step was the creation of a mechanism to ensure the orderly resolution of troubled banks without using public funds. The final part of the plan called for the creation of a common deposit insurance for eurozone banks. This third step remains controversial as it makes deposits up to 100,000 euros in any bank in the eurozone protected with money taken from national insurance schemes across the bloc. But Northern European countries like Germany, Finland and the Netherlands see the plan as unfair because they are forced to share risk with those in the south. So these nations have made their own proposals to limit the amount of money that would be involved in the joint-risk fund.

## **Migration**

The constant arrival of refugees by sea has put the entire EU immigration system under stress. The Dublin system, which requires asylum requests to be processed in the country of a migrant's first entry, puts too much pressure on Italy and Greece. At the same time, a decision by several countries in Northern Europe to introduce border controls in order to discourage immigration is raising questions about the future of the passport-free Schengen area.

Refugees as well as migration are one of many cases where Southern European countries do not share a common position. Countries such as France and Spain have refused to accept some of the refugees and migrants who arrive in Italy. France has sided with Austria and other northern countries when it came to authorising prolonged border controls to sever migration routes. The EU continued its migration strategy of offering financial, logistical and intelligence assistance to the countries of origin and transit of migrants, as well as providing financial and technical assistance to Italy and Greece. A redesign of the bloc's migration policies remained elusive which continued to cause friction within the EU and fuelled anti-immigration and anti-EU sentiments in the bloc.

## European Defence

Article 42 of the Treaty on European Union provides for substantial military integration within the institutional framework of the union. Complete integration is an option that requires unanimity in the European Council of heads of state or government, which has never taken place.

A number of treaties were signed after the end of World War 2, between the European nations, but they were all subsumed into NATO in the early 1950's. The Cold War ensured NATO dominated all security arrangements and locked Europe into its posture. The collapse of the Soviet Union and subsequent 'peace dividend' saw some Europeans call for the end of NATO and Europe managing its own security.

But the war in the Balkans, especially the Kosovo conflict highlighted the US superiority and control of NATO, much to the dismay of many Europeans. Since at least 1998, the European Union began discussions of its own defence force, the European Security and Defense Policy (ESDP) and the accompanying 60,000 strong European Rapid Reaction Force, which would not be a part of NATO.

In his annual state of the union address, Jean-Claude Juncker, president of the European Commission, highlighted in 2016 *"The European Union needs a military headquarters to work towards a common military force, the lack of a permanent structure resulted in money being wasted on missions."*

In June 2017, the leaders of all member states endorsed the creation of a European defence fund to coordinate and supplement national investments in military research and in the acquisition of equipment and technology. They also agreed on the need to strengthen their cooperation on military matters. The goal is to pool resources, reduce duplication, promote standardization and enhance the ability of European armed forces to work together. According to the current timeline, which is subject to change as countries negotiate the details, both the defence fund and a permanent cooperation structure should be operational in 2019.

Then on 13<sup>th</sup> November 2017 EU member states have signed a joint defence pact that will combine their military resources to improve security cooperation. Defence ministers from 23 of the 28 members of the bloc signed the Permanent Structured Cooperation on Defence agreement (PESCO), which is part of a broader effort to wean the European Union off its reliance on the US military.

Over the past two decades, most European countries have reduced their military spending to the point that only a handful of them (Greece, the United Kingdom, Estonia and Poland) meet the NATO target of spending 2% of GDP on defence. Pooling resources would be an attractive option for many member states. The UK's decision to leave the EU forced the remaining member states to turn to military cooperation as a way to show that the bloc remains united.

But a common defence force does not mean that the EU will have its own army. PESCO's goals are to coordinate defence expenditure, make national units available to EU operations, develop joint capabilities and strengthen Europe's defence industry. Member states will remain in control of their militaries, which they still consider a part of their national sovereignty. Therefore PESCO is in reality modest initiative than the European Defence Community, an aborted project from the early 1950s that proposed to create a common army in Western Europe. The different defence priorities of each EU country could make it more difficult to prioritise areas of joint investment. Some countries may want jets while others may want artillery. EU members will also have to deal with the inevitable



disputes about which industries will be given which projects and where the new equipment will be built. Countries with large military industrial sectors, such as France and Italy, will probably aim to be given sizable portions of the projects, a move that that would be an issue with other countries.

The PESCO is really a compromise between France and Germany and France was interested in an agreement that would include a small number of countries committed to big defence projects, including foreign interventions. But Germany preferred a bigger alliance dedicated to more modest projects. The final agreement seems to be closer to Berlin's desires. The PESCO agreement will only create the legal framework for defence cooperation. The next challenge will be to negotiate the projects to undertake together, which could once again highlight the different priorities among EU members.

### **Germany prepares for Post- EU Europe**

Germany has been a central player in the EU ever since its origins. Since the 2008 financial crisis, Germany has been the de facto leader of the European Union. It has been urging unity and coordination through the ensuing turbulence, from the financial troubles of Greece, Portugal, Ireland and Spain to the political troubles in the wake of the Brexit vote. But behind the scenes, however, the German Ministry of Defence in February 2017 produced the "Strategic Perspective 2040," a federal defence policy document – the first of its kind in Germany since the end of World War II. Some details of the document were leaked to the German publication Der Spiegel in November 2017. The document and especially the planning scenarios in it, made extremely clear: the structure of Western Europe since World War II, and of all of Europe since 1991, is no more and Germany intends to look out for itself.

Strategic Perspective 2040 considered six scenarios, all relating to the future of the EU and its relationship with the world in general and the US in particular. The first two scenarios saw the EU surviving its ongoing existential crisis. Strong trans-Atlantic relations prevail. This was regarded as the current state of affairs for Germany, where its defence and security focus has been on local and international peacekeeping operations. The third scenario described heightened tensions on a local level in the Western world. It covered rising nationalism – which is already happening.

The final three scenarios were the bleakest. They detailed the further deterioration of the economies of Europe and ultimately, the collapse of the European Union, coupled with an *"increasingly overstrained"* US still serving as the world's *"stabilizing factor."* In the fourth scenario, economic troubles in Europe and in China – Germany's two main export markets – posed a serious threat to the German economy.

Scenario five outlined a bipolar world, where the West consists of the US and Europe – not the EU – and the East consists of Russia and China. Economic competition grows between the two blocs, but while tensions are high, trade prevents major military conflicts. Dependence on fossil fuels and other raw materials drives some Eastern European countries to ally with Russia. The sixth scenario saw a complete collapse of the European Union. The leadership in the US is no longer able to act decisively to prevent global crises from escalating.

The strategic document noted that Russia's invasion of Crimea in 2014 was the impetus for its conception. Large chunks of it were written in 2015, before the refugee crisis in Europe, the Brexit vote and the resurgence of nationalism throughout the Continent. Its foresight is interesting as the

German military was envisioning some of the problems of today as it watched the EU struggle to find solutions to the problems of the past. Also, the military establishment didn't build the six scenarios based on the events of 2014.

For Germany, the European Union needed to be saved for two reasons, both related to its core national interest. It needed the EU to survive for the reasons that have existed since the end of World War II: The EU was a foundation of its relationship with France, a way to ensure that the conflicts of the past stay in the past. But it also needed it for economic reasons. Germany is the third-largest exporter in the world, and most of its exports go to the rest of Europe. The EU free trade zone has been the crux of the German economy. The price of the euro helped German exporters, and Germany's political power in Brussels, where EU regulations for the common market were formulated giving Germany other advantages.

The release of details about Germany's first national defence strategy in decades is a signal to the world that it doesn't intend to set idle. The system that was built after the war no longer works. The EU and NATO are cracking under the weight of an increasingly divergent set of interests among their members. So Germany must make its own plans, and it must plan for the worst.

## **Conclusions**

The EU faces its biggest test since its inception. Trust, scepticism, rising nationalism and the rise of the far-right are all pulling the union in different directions. Britain has started the process of leaving the union and this will become a model for other nations. The EU has continued to forge ahead in 2017 on continental integration as a solution to its many problems. But the survival of the EU continues to be at the very core of all discussions in trying to maintain it.

## **2018**

**Trust** - Europe's problem is no longer primarily its economy – it is a crisis of trust. The European middle and lower classes have lost faith in the elite's ability to effectively manage the economy and to understand the cultural tensions that have emerged. Large segments of the population are disaffected by economic inequality. There is no common understanding in Europe of how to create trust once broken. Nations are not divided by their philosophies for managing EU institutions; they are divided by their different political, economic and cultural interests. In 2018 the EU probably faces its most significant test.

# BY THE NUMBERS

## The global economy by GDP

**\$74 trillion**

is the size of the global economy, according to World Bank data

**40**

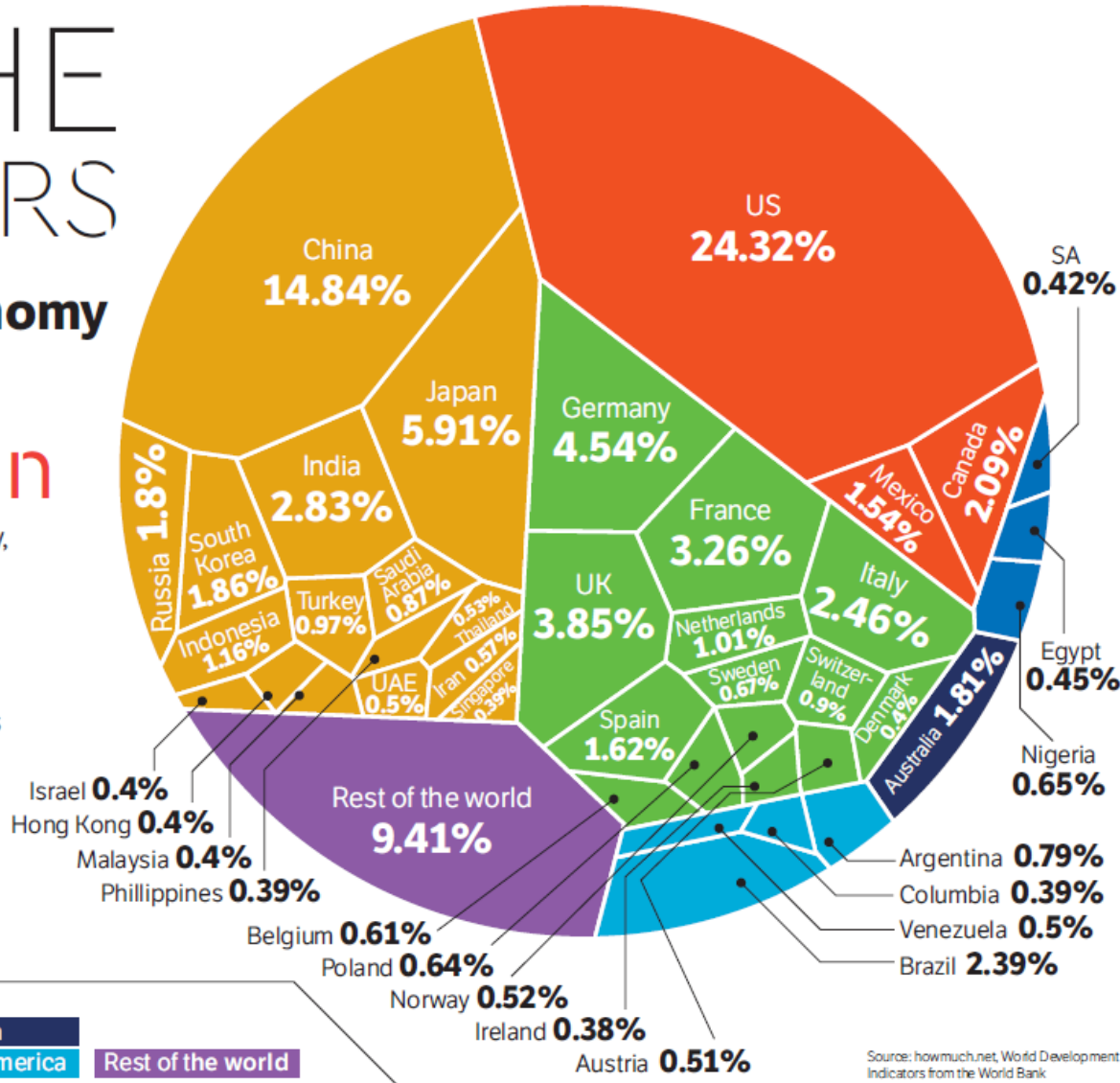
of the world's largest economies are plotted here

**155**

countries make up the "rest of the world" section of this chart

### Continents

Africa	Asia	Australia
Europe	North America	South America
		Rest of the world



Source: howmuch.net, World Development Indicators from the World Bank

## Global Economy

*On the decade anniversary of the Global Economic crisis the underlying causes remain and have not been tackled. The fall-out from the crisis continues to effect global economies as protectionism and economic nationalism remain key policies for many nations looking to insulate themselves.*

### The Global Economic Crisis – 10 Years on

The summer of 2017 was the 10<sup>th</sup> year anniversary of the global economic crisis. Lehman Brothers in the US collapsed, Wall Street went into meltdown and the world economy plunged into crisis. Trillions were lost in output (\$22 trillion in the US, within just five years), millions of workers were made redundant and thousands of promises were made by politicians and policymakers – everyone from Barack Obama and Gordon Brown to David Cameron and Christine Lagarde – that things would change. Yet, nearly a decade later, what is most striking is how little has changed. A decade on the underlying issues that caused much of the crisis remains unresolved, whilst the perpetrators have been looked after by the governments in the west with bailouts and Quantitative Easing (QE) – the printing of money.

The world's major economies continue to struggle to achieve sustainable growth, despite years of monetary and fiscal stimulus. Many of the world's premier economies also face long-term structural challenges, including rising debt, aging populations, and inadequate or aging infrastructure.

Much of the cheap money created by the US Federal Reserve, the Bank of England and the European Central Bank (ECB) has been pushed by financial speculators into the higher-yielding markets of South Africa, Brazil and India, among others. Economists at the Bank for International Settlements, the central banks' central bank, believe \$9.8 trillion was pumped out in foreign bank loans and bonds in the first half-decade after the Lehman Brothers collapse.<sup>34</sup> Around \$7 trillion of that was pushed through to emerging markets.

Since the financial crisis in 2007 a range of emergency measures were adopted to not only save the western economies but to save the banking system. There was a very real risk of a widespread banking collapse and a 1930's style depression was also forecast. The bank bailouts included up to \$21 trillion of money and a range of further "unusual" central bank policies followed. All were designed to save the system, save the banks and generate growth in western economies. Despite these measures which included Quantitative Easing (QE - printing money) and the lowering of interest rates to virtually zero, the economic recovery in the West has been painfully slow.

At the Annual World Economic Forum meeting in Davos, Switzerland from January 20<sup>th</sup> -23<sup>rd</sup> 2016, World leaders decided to dramatically escalate the War on Cash making it easier for them to impose negative interest rates. Their solution to this "problem" in 2016 was to push the world closer to a cashless society. Central Banks in 2016 started this process by phasing out larger denominations of currency notes, which makes large cash transactions impractical. Former US senator Ron Paul highlighted: *"The cashless society is the IRS's dream: total knowledge of, and control over, the finances of every single American."*<sup>35</sup>

One of the most significant events in recent economic history was the leak of 11.5 million documents covering the daily business of the Mossack Fonseca law firm in 2016 which advised the world's largest corporations, dictators, monarchs as well as democratically elected leaders on how to hide their money and avoid tax.

This incident revealed once again and with a treasure trove of evidence that whilst many in the world have been forced with austerity the rich and powerful pay little taxes through the use of offshore accounts. The biggest implications of the leak will come from the light these revelations shed upon the banking and financial system itself. It is not a secret that vast riches are stored in offshore havens estimates include the total sum of hidden assets at 8% of global financial wealth.<sup>36</sup> But never before have we had access to the details. And the phenomenon of offshore wealth is a symptom of a more malignant condition. The disparity between rich and poor has been growing for decades, and these giant offshore sums are a reflection of that trend.

Western governments saved themselves from economic collapse by bailing out the banks that created the crisis. This was funded by cutting government budgets and social security for the masses under the guise of 'we are all in it together.' They papered over the cracks which still remain with us today.

## Reforming NAFTA

*"NAFTA is the worst trade deal maybe ever signed anywhere, but certainly ever signed in this country,"*<sup>37</sup> declared candidate Donald Trump during a debate with Hillary Clinton. On the campaign trail, Trump vowed to drastically change the 23-year-old free trade pact to make it a winning deal for the US. He threatened to scrap the deal altogether if he didn't get what he wanted. But a draft proposal that went on to form the various rounds of talks from the Trump administration did not push for a radical transformation of NAFTA, or call for its destruction, it merely looked to make some reforms.

In July 2017, the Trump administration provided a detailed list of changes that it would like to see to NAFTA. The top priority was a reduction in the US' trade deficit. The administration also called for the elimination of provisions that allowed Canada and Mexico to appeal duties imposed by the US and limited the ability of the US to impose import restrictions on Canada and Mexico. The list also alleged subsidized state-owned enterprises and currency manipulation.

By October 2017 NAFTA talks hit choppy waters, with disagreement over US demands for new "rules of origin" requirements for automotive parts. Under current NAFTA rules, at least 62% of the parts must come from North America. The US proposed that more than 85% of the parts would have to be manufactured within North America to qualify for tariff-free trade, and that 50% would have to come from the US. The US wants to implement the proposed rules within 24 months and 12 months, respectively. The demands are unrealistic because of their time frame, and are opposed by Canada and Mexico. They raise the possibility that the US may attempt to use Canadian and Mexican reluctance to agree with its demands as justification for withdrawing from NAFTA.

## Protectionism

Economic nationalism and protectionism manifested itself throughout 2017 in trade, investment and technology relationships across the world. European Central Bank President Mario Draghi defended free trade and post-crisis financial regulation at the US Federal Reserve's Jackson Hole symposium in August 2017: *"Openness to trade is under threat, and this means that policies aimed at answering this backlash are a vital part of the policy mix for dynamic growth. A turn towards protectionism would pose a serious risk for continued productivity growth and potential growth in the global economy."*<sup>38</sup>

The US led the charge with President Trump following through with his campaign promise of withdrawing from the Trans-Pacific Partnership. The landmark trade deal with 11 nations with a border with the Pacific moved ahead without the US. In early 2017, The Trump administration opened an investigation into whether steel imports threatened national security. Commerce Secretary Wilbur Ross's department led the probe. Trump repeatedly complained that steel dumping was distorting the global market, singling out China as a chief culprit. Trump's promise to protect the domestic steel industry was part of his main campaign theme to revive manufacturing that drew in support from the Rust Belt states. The renegotiation of NAFTA was central to protectionism with Washington putting forth planed ways in which bilateral trade deals should be implemented. This led to the US calling for the introduction of a US content requirement in certain sectors, stipulating that foreign goods must contain a given share of parts produced in the US in order to qualify for reduced tariffs. Washington even went as far as to suggest an automatic sunset clause that would terminate NAFTA under certain circumstances.



Central to Trump's campaign for office was the huge trade deficit the US had with China. In August 2017, following a request from President Trump, US Trade Representative Robert Lighthizer announced he was formally starting an investigation into whether China was unfairly getting hold of American technology and intellectual property. By focusing specifically on alleged Chinese theft of US intellectual property, the Trump administration acted on a complaint expressed by a wide array of American companies that do business in China. China was accused of trying to take shortcuts to help its domestic industries by spying, hacking or forcing companies to share sensitive commercial information, like software code or product designs. The US had to wait in 2017 to clarify its intention to pursue a case against China through the World Trade Organization (WTO). But if US investigators eventually decide Chinese tactics to be inconsistent with the bloc's rules, Washington will be compelled by both its WTO obligations and US law to bring the disagreement to the organization before unilaterally imposing other punitive trade measures.

The United States is not the only party concerned about Beijing's strategy for acquiring Western technology. In September 2017, the European Commission called for the Continent to establish more mechanisms for scrutinizing investment into strategic sectors from companies backed by states outside the European Union, a move clearly aimed at Chinese money. Italy, France and Germany have each supported this sentiment, fearing that the Chinese government may be using the resources of the state to encourage takeovers of European companies to "buy" the core technologies and know-how that underpin the world's modern economies.



# North Korea

At the UN annual general assembly in September 2017 US president Donald Trump highlighted: *"The United States has great strength and patience, but if it is forced to defend itself or its allies, we will have no choice but to totally destroy North Korea. Rocket Man is on a suicide mission for himself and for his regime. The United States is ready, willing and able, but hopefully this will not be necessary. That's what the United Nations is all about; that's what the United Nations is for. Let's see how they do."*<sup>39</sup> The North Korean leader, Kim Jong-un responded by calling Trump's remarks *"rude nonsense"* and threatening countermeasures. In New York, North Korea's foreign minister speculated that such a response might entail the atmospheric testing of a nuclear device in or over the Pacific Ocean.

We have seen the rhetoric from both the US and North Korea increasing quite dramatically throughout 2017, with both countries threatening to bomb the other back to the Stone Age. The narrative is that a hermit runs a secret police state in North Korea who is ferocious, weak and crazy, all at the same time. Kim Jong-un, like his father and grandfather before him is considered to be holding the world to ransom by building a nuclear weapon, which must be stopped. As North Korea is not integrated into the global economy it has no way to influence the narrative being defined for it, for this reason *Strategic Estimate 2018* looks at the nation of North Korea and how the world looks from Pyongyang, the North Korean capital.

## The Battle for the Korean Peninsula

In 1910, Korea was annexed by the Empire of Japan. After the Japanese surrender at the end of World War II, in 1945, Korea was divided into two zones, with the north occupied by the Soviets and the south by the Americans. Negotiations on reunification failed, and in 1948, separate governments were formed: the socialist Democratic People's Republic of Korea in the north, and the capitalist Republic of Korea in the south.

Kim Il-sung, the first ruler of North Korea and the grandfather of today's ruler, Kim Jong-un, was educated in the Soviet Union, he joined Soviet Red Army in 1940, even serving as a major and in 1946 Stalin made him the head of the North Korean Temporary People's Committee.

When North Korea officially became a country in 1948, Kim was declared its prime minister. Kim Il-sung's vision for the country was one of a dynasty. This move was immediately supported by the Soviet Union and China.

## The Korean War

In 1950, Kim Il-sung convinced Soviet Premier Stalin to provide tanks for a war that would reunify North and South Korea. On June 25, 1950 Kim Il-sung launched a surprise invasion of South Korea. It was so surprising that by the fourth day, North Korea had captured Seoul, the South's capital. Within a month, South Koreans were on the verge of surrender.

The US, under the guise of a UN authorised force, consisting almost entirely of US troops came to the rescue. Led by General Douglas MacArthur, the supreme commander for the allied forces in Japan, he deployed three US divisions backed by B-26s and B-29s bombers that had demolished Japan. In three months, they drove the North Koreans back to the 38<sup>th</sup> parallel. US soldiers used conventional bombing which was unlike anything used in the Second World War except Hiroshima and Nagasaki. Pyongyang, the northern capital, was destroyed. Five large dams were bombed, causing floods that wiped out the rice harvest. Many North Koreans were forced to live in underground tunnels. The US expected the war to be over soon and expected little from China, who shared a border with the Korean peninsula. This was because only a year earlier China was in the midst of a civil war and was viewed with

contempt, lacking military skill and bravery and was viewed as a peasant army by US officials. Based on this the US forces crossed the 38<sup>th</sup> parallel and drove the North Koreans all the way back to the Yalu River, which marks the border between China and North Korea. Kim begged Stalin for help, but the Soviet ruler declined. Chairman Mao Zedong of China waited two days before agreeing to assist the North Koreans. *"Imagine how one would feel knowing that you lost your country for those two*





days," said James Person, director of the Center for Korean History and Public Policy at the Wilson Center.

Completely underestimating China, MacArthur found in November 1950 a 300,000 Chinese force halt Americas advance and beat them back to the 38<sup>th</sup> parallel. Losing a war, he thought he had won, MacArthur called for President Harry Truman to authorise him to use nuclear weapons against China. Truman fired him. The war dragged on in a stalemate for two more years before an armistice was signed by Truman's successor President Dwight Eisenhower in 1953.

This historical experience and Kim's own personal experience shaped the way that the Korean leadership saw the world - as a hostile place with no reliable allies. After three years of fighting, the war ended with only an armistice signed - not a formal peace agreement. A new border was drawn that gave South Korea slightly more territory and created the demilitarized zone (DMZ), between the two nations. The US continued assisting South Korea in its development and China and the Soviet Union remained nominal allies of North Korea.

### Self-reliance

After the Korean War, North Korea failed in several assassination attempts on South Korean leaders. For almost two decades after the war, the two states did not seek to negotiate with one another. In the early 1970s when China began normalizing relations with the US Kim re-evaluated the country's relations with China. By the mid-1970's Kim Il-sung began severing ties with China and reemphasizing national and economic self-reliance enshrined in his *Juche* philosophy, which promoted producing everything within the country.

Adopted into North Korea's socialist constitution the idea aimed to create Korean nationalism, Korean pride and reduce the presence of Communism and Chinese influence. As the years went by it became obvious *Juche* was only a mechanism for sustaining the dictatorial rule of the North Korean regime, and justifying the country's heavy-handed isolationism and oppression of the North Korean people. It was a form of Korean ethnic nationalism, but one that promoted the Kim family as the saviours of the "Korean Race" and acted as the foundation of the subsequent personality cult surrounding them.

By the late 1970s, the initial gains of post-war reconstruction and modernisation had dissipated, and Kim's ideas had failed to produce any prosperity. North Korea remained highly dependent on trade and aid from the Soviet Union and the Eastern bloc. The people's quality of life stagnated in the 1980s and began to decline until the collapse of the USSR in 1991, at which point the North Korean socialist command economy stopped functioning altogether. There were expectations that the North Korean government would collapse, leading to the unification of the Korean Peninsula. North Korea's sole aim was regime survival. This was made even more precarious in 1994 when Kim Il-sung died.



Kim Il Song (L) Kim Jong-il (R)

## Economic Collapse

Kim Jong-Il took power in the post-Cold War era when North Korea was on the brink of disaster. Realizing the need to handle both external and internal threats, Kim Jong-Il instituted a policy called *Songun* - 'military first' that prioritized the military and elites over the general public. Restrictions on travel were tightened and the state security apparatus was strengthened. This policy made the coming crisis even worse for the average North Korean. Many North Koreans blame Kim Jong-il's leadership for the famine. In reality, Kim Jong-il's policies exacerbated a crisis that was long in the making

The economic collapse and subsequent famine in North Korea had its peak in the mid-to-late 1990s. It is estimated that up to one million people died—roughly 5% of the population. Even many of those that survived suffered immensely. Starvation in childhood has stunted the growth of an entire generation of North Koreans. The North Korean government had to lower the minimum required height for soldiers because 145 cm (4 feet 9 inches) was too tall for most 16-17 year olds. In Barbara Demick's book "Nothing to Envy," a North Korean doctor tells of how even she became desperately hungry. After fleeing to China, she discovered a bowl of food left out for a dog. Upon examining the white rice and generous chunks of meat, she concluded that "*dogs in China ate better than doctors in North Korea.*" The widespread famine which the government proved incapable of curtailing resulted in it accepting UN food aid in 1996.

The Kim dynasty had failed its people on a colossal scale; this is what drove Kim Jong-ill to constantly carry out purges of the army and his own government. Disappearances and murders become the norm. It was at this point Kim turned to accelerate the country's nuclear weapons program.

## 21<sup>st</sup> Century

The US had been aware of North Korea's attempts at developing a nuclear device. An agreement was reached between US and North Korea in 1994 after the US warned North Korea of targeting its nuclear reactors. This agreement called for North Korea's nuclear programme to be halted with the shutting down of its Yongbyon reactors which was in operation since 1987. This was in exchange for the US supplying two light-water reactors.

But the US failed to honour its part of the promise and North Korea resumed its nuclear activities, it restarted the Yongbyon reactors and expelled the two international observers from the country. This was the beginning of what is now a regular drama of global politics, the US accuses North Korea of having a clandestine nuclear programme and North Korea counters by accusing the US of breaching its promise of supplying two light-water powered nuclear reactors.

In 2002, Kim Jong-il's government admitted to having produced nuclear weapons since the 1994 agreement. Kim's regime argued the secret production was necessary for security purposes – citing the presence of US-owned nuclear weapons in South Korea and the new tensions with the US under President George W. Bush. Then on 9<sup>th</sup> October 2006, North Korea successfully conducted an underground nuclear test, making it the first country in the 21<sup>st</sup> century to enter the elite nuclear club.



North Korea has used the threat of tests and the tests themselves as weapons against its neighbours and the US. It has manoeuvred itself into a situation where the US, Japan, China, Russia and South Korea have to sit down with it at the negotiating table in a bid to persuade it not to build weapons. Sometimes, the great powers give North Korea money and food to persuade it not to develop weapons. It sometimes agrees to a halt, but then resumes its nuclear activities. It never completes a weapon, but it frequently threatens to test one. And when it carries out such tests, it claims its tests are directed at the US and South Korea, as if the test itself were a threat.

North Korea's rulers believe that a nuclear weapon boosts the nation's international status. Nuclear tests bring international media attention, which boosts North Korean pride. Scott Snyder and Kyung Ae-Park argue in their 2013 book, "North Korea in Transition: Politics, Economy and Society," that North Korean aggression brings the Democratic People's Republic of Korea (DPRK) welcome geopolitical recognition. When the US sends former presidents to engage in diplomatic negotiations with North Korea that's a massive PR victory — and boosts Kim's status and power. State-level diplomatic recognition also contributes greatly to the legitimisation of North Korea. Successfully testing a hydrogen bomb strengthens Kim's claim to know what he's doing as he invests the nation's scarce resources in developing nuclear technology. It proves that he can lead and gives Kim a heightened stature as a patriotic hero — since neither his father nor his grandfather was able to build and test a hydrogen bomb.

## **Conclusions**

The Kim dynasty has crafted a totalitarian regime, with them at the centre. The power of North Korea's leader, who reigns absolute, is fueled by nationalism and sustained by a structure that has every reason to keep him in place. That, and a zero-tolerance policy toward dissent, explains why the regime has stood stalwart these many years.



Vladimir Putin, Donald Trump & Xi Jinping (far right) APEC summit Nov 2017

# New World Order?

*The world is in the midst of an increasingly turbulent era in international affairs. Tensions are increasing between the major powers, and there is widespread disenchantment with the status quo. Many contend we are witnessing the breakdown of key elements of the liberal international order. This is the styles of engagement used by the major powers in order to achieve their interests and departure from the existing institutions that have shaped much of the world's political landscape in the post-war period. With the rise of China, along with Russia also teaming up with its former communist neighbour, this informal alliance is looking to challenge the liberal world order.*

## The end of the American Century?

For decades the US has sat atop a unipolar world, unrivalled in its influence over the rest of the globe. But today the position of the US as the global hegemon is a matter of much debate and discussion across the political spectrum. This takes place as a new alliance takes shape between China and Russia. There has been much political soul-searching in the US about the eclipse of American power and influence across the world, after several decades as the world superpower America's decline has now become a mainstream subject. This includes for many the possible collapse of the American-led "liberal international order" — the system of rules, norms

and institutions that have governed global affairs in America's favour since the end of World War Two.

In 2008, the US National Intelligence Council admitted for the first time that America's global power was indeed on a declining trajectory. In one of its periodic futuristic reports, *Global Trends 2025*, the Council cited the *"international system -- as constructed following the second World War - will be almost unrecognizable by 2025,"*.....*"the transfer of global wealth and economic power now under way, roughly from West to East"* and *"without precedent in modern history,"* as the primary factor in the decline of the *"United States' relative strength—even in the military realm."*<sup>40</sup>

The Pentagon in a study published in June 2017 concluded that the US-backed framework of international order established after World War II is *"fraying"* and may even be *"collapsing,"* leading the United States to lose its position of *"primacy"* in world affairs. The study concluded that the world has entered a fundamentally new phase of transformation in which US power is in decline and the international order is unravelling.<sup>41</sup>

In its December 2017 analysis, the RAND Corporation, the US non-profit organisation called into questions America's ability to maintain the international order. It issued a damning indictment of the America's military forces, calling on the administration of US president Donald Trump to reassess the nation's defence strategy and security posture. It highlighted: *"If adversaries perceive US military [...] as inadequate to the task of deterring and defeating coercion or aggression, the viability of this nation's entire national security strategy and, indeed, the rules-based liberal order that it has promoted for more than 70 years, will be called into question."*<sup>42</sup>

Americas decline has seen two broad camps emerge. In the first camp the common view is that America's decline is a permanent feature of the international order, with the severity of the decline being in dispute. In the other camp adherents espouse the view that America's decline is reversible. Some of America's most formidable thinkers can be found in this camp, the late Zbigniew Brzezinski maintained America could revitalise itself to meet its current challenges.

What is undeniable is that the US public, policy makers and intellectuals, all consider their country as a global power is in decline and its international order, which since WW2 has acted as a key tool in America's global dominance, is unravelling. In this section, *Strategic Estimate 2018* assesses if this is the case and the prospects of the challengers to the liberal world order.

## The American Century

In 1941, in an influential essay, Henry Luce coined the term the 'American century.' In the years since, the US economy propelled global trade and economic growth. In science and technology, the US was at the leading edge of innovation and discovery. America's democratic institutions and education system served as beacons for the whole world.

*"...The international system -- as constructed following the second World War - will be almost unrecognizable by 2025," ..... "the transfer of global wealth and economic power now under way, roughly from West to East" and "without precedent in modern history," as the primary factor in the decline of the "United States' relative strength—even in the military realm." Global Trends 2025*

It was the United States that constructed the post war world. Having used the most technologically advanced invention at the time – nuclear weapons, against its adversary, America was well placed to dictate the terms of the post war world. The Yalta conference in 1945 distributed the spoils amongst the victors, but the year before at the Bretton Woods conference the International Monetary Fund, the World Bank and the General Agreement on taxes and Tariffs (GATT) were created. The Brookings institute confirmed in a report: *"The United States has viewed all multilateral organisations including the World Bank, as instruments of foreign policy to be used in support of specific US aims and objectives...US views regarding how the world economy should be organised, how resources should be allocated and how investment decisions should be reached were enshrined in the Charter and the operational policies of the bank."*<sup>43</sup> For the US, the devastation of Europe after WW2 was one of seizing a historic opportunity for global development, trade and finance being shaped by the US.

The US became the trading partner of first and last resort. It allowed Europe near tariff-free access to its markets. The sale of European goods in the US would help Europe develop economically and, in exchange, the US would receive deference on political and military matters: NATO. The "free world" alliance never consisted of a series of equal states. Instead, it consisted of the US and everyone else. The foundation of Bretton Woods was American economic power — and the American interest in strengthening the economies of the rest of the world to immunize them from communism and build the containment of the Soviet Union.

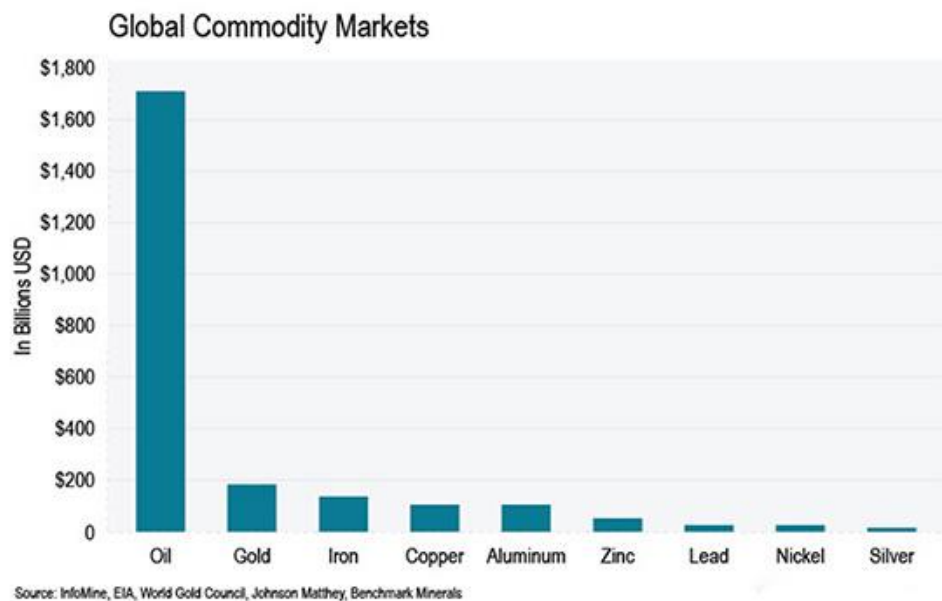
### **Dollar Hegemony**

After WW2, the US had the largest gold reserves in the world, by far. Along with winning the war, this let the US reconstruct the global monetary system around the dollar. The new system, created at Bretton Woods, tied the currencies of virtually every country in the world to the US dollar through a fixed exchange rate. It also tied the US dollar to gold at a fixed rate of \$35 an ounce. The dollar was as good as gold. The Bretton Woods system made the US dollar the world's premier reserve currency. It effectively forced other countries to store dollars for international trade, or to exchange with the US government for gold. Being the issuer of the global reserve currency guaranteed international demand for the dollar. This meant the US could print dollars at will, an unlimited supply, since the wider world always needed dollars and would absorb the ensuing inflation. This was famously referred to as an "exorbitant privilege" by Valéry Giscard d'Estaing, France's finance minister in the 1960s. The exorbitant privilege meant the host country could consistently run deficits as other countries would buy US debt.

But the Vietnam War dragged on for over a decade and the runaway spending resulted in the US printing more dollars than it could back with gold. By the late 1960s, the number of dollars circulating had drastically increased relative to the amount of gold backing them. This encouraged foreign countries to exchange their dollars for gold, draining the US gold supply. It dropped from 574 million ounces at the end of World War 2 to around 261 million ounces in 1971. President Nixon "temporarily" suspended the dollar's convertibility into gold in 1971, the "temporary" suspension is still in effect today. Leaving the Gold standard eliminated the main reason foreign countries needed large stocks of US dollars. The Nixon administration dealt with this with a series of agreements with Saudi Arabia from 1972 to 1974, creating the petrodollar and giving foreign countries another compelling reason to hold and use the dollar. This new arrangement preserved the dollar's special status as the world's top reserve currency. The agreement was for the US to prop-up the Saudi monarchy in return for the world's largest oil producer, with the world's largest oil reserves selling oil on in dollars and using its dominant position in OPEC to ensure all oil transactions would only happen in US dollars. The Saudi monarchy also agreed to recycle the many

billions of US dollars from oil revenues into American weapons manufacturers and infrastructure companies and also purchase US Treasuries. By 1977, at least 20% of all Treasuries held abroad were in Saudi hands.

Today the US dollar dominates global transactions, whether commodities, finance or payments in global trade. As the chart shows, oil dwarfs all other major commodity markets combined. In today's modern world every nation needs oil, as oil is priced in dollars, therefore every nation needs US dollars to buy oil. Today when a



European nation wants to purchase oil from the Gulf, it has to purchase US dollars on the foreign exchange market to pay for the oil first.

This therefore creates a huge artificial market for US dollars and this is what sets apart the US dollar from every other purely local currency. The US dollar in effect acts as a middleman in countless transactions amounting to over \$5.4 trillion that have nothing to do with US products or services. What the US achieved was by forcing oil to be priced in dollars and creating an enormous demand (dependency) for dollars it also became a benchmark for international trade. As all the world needs dollars for oil, this then forced them to also use dollars for international trade. In addition to nearly all oil sales, the US dollar is used for 88% of all international transactions. The Society for Worldwide Interbank Financial Telecommunication (SWIFT) that enables financial institutions to make payments on behalf of companies, governments and institutions is dominated by the US dollar. Almost all nations globally have little choice but to take dollars.





This gives the US unmatched geopolitical leverage. The US can sanction or exclude any country from the US dollar-based financial system at the flip of a switch. By extension, it can also cut off any country from the vast majority of international trade. This is how the US dealt with nations during the Cold war who attempted to join the Eastern bloc such as Cuba. After the fall of the Soviet Union both Iran and North Korea have faced sanctions and have been excluded from global commerce due to the US dominated global financial, monetary and economic system.

It requires no effort for the US to create dollars, they are literally printed out of thin air, or created on computer entries which can then be exchanged for real things like, Italian cars, electronics from South Korea, or Chinese manufactured goods. The US can also create lots of debt, in the form of treasuries, which the world will buy as it needs dollars.

### **Global Policeman**

When Bretton Woods was taking place in 1944 the Normandy invasion was in its first month, but the tide of war had clearly turned. The Soviets after suffering at Nazi hands were not going to withdraw from territory captured on their way to Berlin. The shape of the Cold War was already beginning to unfold. Only the Soviet Union presented any obstacle to US global dominance. As a result the US committed to the idea that defending its strategic interests required maintaining active involvement in the Eurasian landmass, to prevent the emergence of a rival power with the strength to dominate the major regions of the world. This required maintaining a military presence in Europe and Asia. In the immediate aftermath of the war, this manifested in the occupations of Japan and Germany. Later on, it also required maintaining a significant military presence and assistance to Turkey, South Korea, Pakistan and the Philippines, to preclude opportunities in those key regions for Soviet expansion. NATO emerged in 1949 as the overarching military structure through which the US security umbrella for Europe manifested.

As part of the overall containment structure Washington set in place around the Soviet Union and eventually China, a network of allied countries who would be supported in order to block the spread of communism. At its root Washington's alliance structure was the promise of US support if the worst happened and a Soviet invasion took place. In a divided Europe an attack on West Germany would be treated as an attack on the US. In fact, this was the war everyone was preparing for. As the core contributor, the US military footprint in Europe was vast, stretching to hundreds of bases and facilities, hundreds of thousands of personnel and massive quantities of materiel.

NATO has more than doubled in size over its lifetime, expanding from a core group of 12 countries to its current 28 members. There have been six main phases of expansion, three occurring during the Cold War and three after. Combined into a collective defence system, the most functional part of the collective defence agreement remains military interoperability. This is the standardising the way NATO members work and operate together. Armed forces are generally self-contained, with unique procedures, weapons, vehicle platforms and equipment. But NATO was created as a true logistical network, enabling a shared command and control system with common doctrine and tactics, allowing almost any combination of national forces to come together to become a relatively functional fighting force. The effect of this was outlined by Strategic Forecasting, the private intelligence agency: *"The greater the role the United States takes in building up and sustaining an ally's military force, as well as the more prominent and overt the US military's role in defensive scenarios and war plans, the greater the American influence will be in its allies' individual and collective defence. That influence can translate into significant US input in the structure, posture and disposition within an alliance. This can include orienting regional militaries to less critical, but manpower- or resource-intensive mission areas, while*

*allowing Washington to focus on maintaining capabilities it considers more suited to its own interests and capabilities. This also ensures that Washington maintains control over strategic or decisive capabilities.”<sup>44</sup>*



NATO weathered the Cold War significantly better than its Warsaw Pact rivals. Without the anchor of the Soviet bloc, NATO was cut adrift from its strategic imperative, suffering diminished budgets and dwindling force levels. Despite this, NATO has conducted more operations since the fall of the Soviet Union than it did during the previous four decades of carefully orchestrated stalemate. NATO's intervention in the Balkans and Afghanistan has kept it as a key tool for global security.

Outside NATO, America's military capability is in affect a global system in itself, which many nations are tied into. The US has a robust naval fleet that includes 10 aircraft carriers, 68 submarines, 23 cruisers, 62 destroyers and 31 principal amphibious vessels stationed across the world today. This is a very high deployment rate, which no other nation comes even close to. The US also has a global presence unlike any other nation, with about 200,000 active troops deployed in more than 170 countries.

The US has around 2,200 fighter jets, consisting mainly of 4<sup>th</sup> generation jets and the only operational fifth generation jets. The US Air Force, Navy and Marine Corps together operate more than 500 aerial tankers to fuel American fights all over the world. All of this is achieved through 800 military bases in more than 70 countries. Many of the world's nations are integrated into a military system, with the US at its core.

## America's Unipolar Moment

During the Cold War the US and the Soviet Union stood head and shoulders above the rest of the world and much of the world was divided in loyalty between the then Western and Eastern camps. However, after the demise of the Soviet Union in 1991, America found herself in a unique position of uncontested global hegemon. It was this new reality that led to the famous thinker Francis Fukuyama to unequivocally proclaim that Western liberalism had triumphed over all other systems.

Throughout the 1990's the relentless expansion of the European Union and NATO expanded into post-soviet spaces like the Balkans. The US managed the disintegration of Yugoslavia and marginalized both Europe and Russia. In Africa too, America made huge strides in eclipsing the wings of old Europe. Military incursion in Somalia, Zaire (Congo) and Liberia marked the beginning of campaigns to shrink British and French influence in Africa. The US administration opened up many parts of the world to American multinationals through globalisation and free trade. So emphatic was America's supremacy that it prompted France's Foreign Minister to use the term hyper-power to describe America's pre-eminence in the world.<sup>45</sup>

## New World Order

America's military-defence establishment, energy companies, elites, thinkers and policy makers began speaking of the 21<sup>st</sup> century being another American century and began laying the groundwork for this throughout the 1990's. As stated by the neocons who went on to define US foreign policy: *"As the 20th century draws to a close, the United States stands as the world's most preeminent power. Having led the West to victory in the Cold War, America faces an opportunity and a challenge: Does the United States have the vision to build upon the achievement of past decades? Does the United States have the resolve to shape a new century favourable to American principles and interests?...[What we require is] a military that is strong and ready to meet both present and future challenges; a foreign policy that boldly and purposefully promotes American principles abroad."*<sup>46</sup>

The new policy aimed at preserving America as the leading state in the world and maintaining American influence across the world, ensuring no nation in the world could challenge it. Most of the details comprised of unilateral military solutions without the need for UN resolutions i.e. unilateralism. This policy was first called: *"peace through strength"* in a document issued by the Pentagon in 1992, when Dick Cheney was secretary of defence. Work continued on this strategy until around 1997 when Paul Wolfowitz, Donald Rumsfeld and Dick Cheney became influential members in the US administration and gave it its final name - *"Project for the New American Century."* In 2000 the Project for the New American Century published *"Rebuilding America's Defences: Strategies, Forces, and Resources for a New Century,"* which called for changing unfavourable regimes, distribution of American forces in Europe, South Asia, Central and Middle East. With the aim of controlling the energy resources of the world, militarising space, and beefing up US nuclear capabilities.

## The Unravelling

After 17 years since the US went into Afghanistan ushering in the era of the new American Century the US has fallen into the same trap empires before it fell into. In Iraq America quickly found itself mired in an Iraqi quagmire and the grandiose political objectives of bringing democracy to Iraq, were quickly abandoned. The US struggled to solve the very basic of Iraq's problems - providing security and a functioning government. When the dust finally settled and America was able to hand-

pick men to run Iraq's shaky government, fragile institutions and ill-equipped army, America withdrew from Iraq leaving behind chaos and instability

But these were just the some of he first of a growing list of failures of the international order. Russia's successful rollback of the colour revolutions of the early 2000's revealed the shallow extent of the US commitment to its partners in the Central Asian and Caucasus region. The unopposed invasion of the Crimea in Ukraine confirmed that the commitment was not sustainable and had never represented a vital US interest.

Serious international crises from Syria and Iraq to Rwanda and the Congo, have shown the impotence of the international community and the failure of the UN and its institutions to provide a serious guarantee for world peace.

The World Trade Organisation was meant to provide a means for liberal free market states to preach their doctrines to the lesser nations of the world. It was also intended to put greater pressure on emerging economies to follow capitalist prescriptions for reduced government intervention in the market, and greater involvement of the private sector in the provision of public goods such as water, energy, education and healthcare. This was particularly intended to be a means of taming the aspirations of China, Russia and other growing industrialised economies. However, the Doha Development Round of negotiations, intended to run only from 2001 to 2005, and to address the perceived inequities of treatment of developing countries, has still not concluded.

On the domestic front, the much-vaunted financial sector has proved to be an Achilles heel rather than a source of strength for the global economy. Following the global financial crisis in 2008, the institutions and trade agreements that underpin the international markets are now seen as part of the problem rather than the solution.

### **New World Order?**

Americas predicaments in both Iraq and Afghanistan and the unravelling of the international order has seen both China and Russia attempt to set up an alternative order, one that is separate to the American dominated order.

Their marriage has been built upon energy. The two great powers have signed several major energy deals. Russian oil has made up a steadily growing share of China's energy portfolio for years, and in 2016 Russia became the country's biggest oil supplier. China, for its part, has begun to substantially invest in Russia's upstream industry while its state-run banks have heavily bankrolled pipelines connecting the two countries. Beijing, for instance, recently acquired a large stake in Russian oil giant Rosneft. Russian exports of natural gas, including liquefied natural gas, to China are climbing as well. These moves are rooted in grand strategy: Russia and China are privileging each other in energy trade and investment to reduce their dependence on locations where the US is dominant.

At the same time, Beijing and Moscow have symbolically demonstrated their compact in the realm of defence. They have conducted joint military exercises in unprecedented regions, including the Mediterranean Ocean and the Baltic Sea, as well as in disputed territories, such as the Sea of Japan and the South China Sea. Weapons deals between them are likewise on the rise. Russian arm sales to China skyrocketed in 2002. After temporarily dropping off between 2006 and 2013 amid suspicion

that China was reverse-engineering Russian platforms, Russia's sales to China resumed. Moscow agreed to sell its most sophisticated systems, the Su-35 aircraft and the S-400 surface-to-air missile systems, to its Asian neighbour. But both nations combined are nowhere near to NATO's military capability or the US.

Over the years, the two countries have taken on somewhat distinct roles in Central Asia. Russia has become the leading security guarantor in the region by founding the Collective Security Treaty Organization (CSTO), a formal alliance with a mutual self-defence clause, and by building military bases in Kyrgyzstan and Tajikistan. Russia has also integrated Kazakhstan into its air defence system. By comparison, China is rapidly emerging as the leading energy and infrastructure partner in the region. The country's Belt and Road Initiative is well underway, and several oil and natural gas pipelines connecting China to its Central Asian neighbours are already functional. Both powers have a stake in the region's security and economic integration, as evidenced by the presence of the Russia-led Eurasian Economic Union and the China-led Shanghai Cooperation Organization there.

But with their robust indigenous defence industries and vast energy reserves alone, China and Russia satisfy the basic requirements of presenting an enduring challenge to the US. Both have been pushing for greater financial and monetary autonomy by distancing themselves from the dollar-dominated order of international trade and finance. China has already partially seceded from the SWIFT system of global banking transactions by creating its own system, CIPS. Russia is following suit, and it too has started to build an alternative network. Moreover, the Chinese Yuan recently entered the International Monetary Fund's Special Drawing Rights currency basket. Now most Asian currencies track far more closely with the Yuan than the dollar in value. China plans to introduce an oil futures contract in Yuan that can be fully converted to gold as well. This, along with Beijing and Moscow's decision to boost their gold reserves, suggests that they may be preparing to switch to a gold standard someday. The convertibility of gold is an important intermediate step toward boosting investor confidence in an up-and-coming currency like the Yuan, which still suffers from many constraints such as illiquidity and significant risk in its country of origin. The seriousness of their effort indicates their determination to move away from a system ruled by the US dollar.

At the moment both China and Russia still have ground to make to replace the US dominated global order but the gap is closing as China makes substantial investments into sunrise technologies such as renewable energy, biotechnology and artificial intelligence. Plus, the projection of power to every corner of the globe probably is not the immediate goal. Rather, the two powers seem to be aiming for maximum autonomy and a proximate sphere of influence that encompasses Eastern Europe and parts of the Middle East and Asia. They also seek to overhaul international rule-making with the intention of gaining greater influence in multilateral institutions, securing vetoes over military interventions, increasing global governance of the internet ending US pressure regarding democracy and human rights, dethroning the reigning dollar and accounting for their interests in the design of the global security order.

## **Conclusions**

When two countries forge an alliance, it means their interests are aligned. In practical terms, that means they will put aside small-ticket items and points of contention because there is a larger shared interest that is of immense importance. The currency of an alliance is trust. The products of an alliance are duty and obligation. Alliances are not entered into lightly, nor are they broken easily. They are based on shared interests that are clear to both sides, interests important enough that they



justify the sacrifice by the people of one country for the people of another should a threat arise. This is not the basis of the Russia-China relationship. This is not to say that Russia and China don't have some basis for cooperation. Both countries take issue at the extent and application of US power. Russia and China agree that the US should not be the global superpower. But they have a vastly different sense of what the alternative reality should be. Russia sees the alternative as a rebirth of Russian power on the order of the Soviet Union. China sees the alternative as reclaiming the mandate of heaven, a position that was usurped by Western imperialist powers in the 19th century when china was vulnerable. It remains to be seen if Russia-China can replace the US dominated order, there is much mistrust between China and Russia as they both have with the US. But all of this takes place with a waning US with many of its own people and thinkers questioning America's ability to maintain the global order.

# Conclusions

At the end of 2017 the US remains the world superpower and maintains a balance around the world which protects America's array of strategic interests. But the US is not the power it used to be, as can be seen from Afghanistan to Syria to Iraq to North Korea. All of these foreign policy issues have been compounded with Donald Trump who is more interested in his own ratings rather than developing plans and policies that will deal effectively with such issues. Trump has gathered around him mostly a team of former army generals and the Pentagon is now firmly in charge of the White House and foreign policy. Trump has done a U-turn on almost all his presidential promises and this will inevitably lead to gridlock in Washington. Whether this gets to the point that it effects the US position globally remains to be seen, but the timing of someone like Trump in office comes when the US was struggling with maintaining its global position.

America's main competitors – China and Russia made progress in 2017 in building an alternative order that challenges the liberal order propped-up by the US. Russia undertook actions beyond its region in the Middle East, how deep this will be and how much can be made from the acts remain to be seen, but Russia has created a perception that it's acting globally and should be taken seriously. Ukraine remains a key concern for Russia, especially since the US now plans to arm the Ukrainian armed forces.

China continues to work on transforming its economy – a colossal task but its political vision remains largely regional and economic. 2017 saw China prepare for the challenge ahead through the effective creation of a dictatorship. China continues to make headway in its military development, but it remains decades away to pose a naval challenge to the US as the rest of the military continues to develop, including the establishment of its first foreign base. China has continued to strengthen its fundamentals and it's in this light China needs to be viewed. On its own China does not pose a challenge to the US currently, but with Russia it is attempting to build an independent order, with it at the centre.

The fall of Aleppo in Syria has saved the al-Assad regime and dealt a big blow to the rebel groups. In 2018, what remains of the uprising will reach its 7<sup>th</sup> year anniversary, something no one expected. But the political solution remains allusive.

At the end of 2017, the US remains the world's superpower, but its grip is being challenged and it is also waning. Whilst challenges remain in places such as Syria, the US continues to develop strategies and plans and adjusts them based on their success or failure.

# 2018

**Russia presidential elections, May 2018** - Russia will hold its presidential election and as the Russian system is geared towards pro-Kremlin parties Vladimir Putin will in all likelihood win the election. In the lead-up to these elections, the Russian economy will continue on its current negative trajectory. At the same time, President Vladimir Putin, who is not as strong as he outwardly appears, will pursue more security and institutional measures to consolidate his power. Furthermore, the interests of Russia's political opposition parties and the disgruntled public will increasingly overlap. While the opposition will not transform into a formidable political force by March 2018, the year ahead will lay the groundwork for this build-up. Putin faces probably the biggest challenge of his 17 year rule.

**Pakistan Elections, September 2018** – The current Muslim League (PML N) sitting government and the national assembly are due to be dissolved with the latest an election can take place is in September 2018. There is every chance the election is called earlier due to Pakistan's kangaroo political system. The sitting government was the first in Pakistan's history to finish its term and transfer over to another elected government. Despite the impeachment of Nawaz Sharif his government will break another record for transferring power. The election result is largely irrelevant as both the established parties pursue the same policies of supporting US aims in the region, whilst the system in the country is set up to serve their interests not the peoples. What this election needs to do is bring confidence back into the system of Pakistan and how this is done is what to look for. From all the major measurements Pakistan is failing and how the nations establishment plan to keep the system in place is what this election really represents.

**US Mid-terms** – US president Donald Trump enters his first election since his electoral result in 2016. On November 6<sup>th</sup>, 2018 all 435 seats in the United States House of Representatives and 33 of the 100 seats in the United States Senate will be contested. 39 state and territorial governorships and numerous other state and local elections will also be contested. The 2018 midterm elections are likely to be a referendum on Donald Trump's whirlwind presidency and its political accomplishments, or lack thereof. The Democrats have more grounds for optimism in the House of Representatives, where Republicans currently hold a majority of 239 seats to Democrats' 194 and all 435 seats are up for election. The republicans currently control both houses and the on a number of issues they have weakened Trump, if they were to lose one of the houses, it will make US policy face further gridlock and weaken Trump.

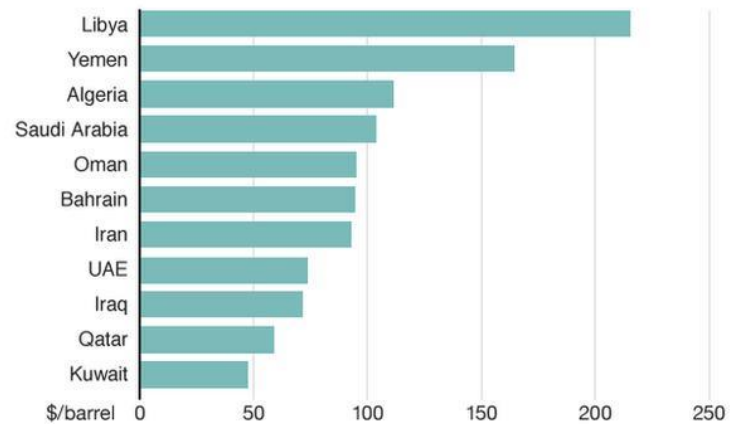
**Venezuela Crisis** - The country with the largest oil reserves in the world is on the verge of collapse as its economic and political crisis has deteriorated to the point that many government offices are open for only two days a week to save electricity. Food shortages are causing lengthy queues for basic necessities, the healthcare system has collapsed and inflation is now officially at 720%.

At the centre of the crisis is Venezuela's long-term dependence on one resource commodity, oil. In times of oil booms, Venezuelan governments went on spending sprees that didn't include investment in industry or infrastructure. This made the country dependent on imports. While oil money was flowing, this model works fine, but when oil money stopped, especially now as oil prices are so low, problems begin. This is the pattern in Venezuela for the past few decades and was the case again in the decade under Chavez. Then, oil prices were high, but there was little investment in

the domestic infrastructure and very high dependency on revenues to buy imported goods. Venezuela is struggling to pay its debts and pay for imports and 2017 may see the country collapse.

**Saudi Crisis** – The Saudi Monarchy is officially in crisis. The collapse in oil prices has exposed the economic model the monarchy has long relied upon. The “*cash-for-loyalty*” model was always completely dependent upon oil revenues flowing into the Kingdom's treasury. Saudi's dependency on oil means it needs oil prices to remain above \$100 a barrel to balance its budget. Add to this the actions of Muhammed bin Salman who has conducted a purge of his own family in order to strengthen his own position. His actions saw the arrest and removal a number of senior figures who in 2018 will likely push back.

Break-even oil prices



Source: IMF 2015

BBC

**Egypt in Crisis** – The Egyptian economy is in dire straits. Abdel Fattah el-Sisi is fast running out of options as he runs the economy into the ground. Sisi like his predecessors continues with 60% of state income being spent on debt repayments which leaves very little for public services. Sisi attempted to conceal this with a number of high profile project announcements. Previously, the regime relied on the provision of subsidies to maintain living standards and social cohesion but it is clear that the financial situation no longer allows this. All this demonstrates that the combination of “*super projects*” and other policies thus far have only looked for short term gain at the expense of real, long term problems such as poverty. Under Sisi there has also been a rise in forced disappearances. Egyptian Coordination for Rights and Freedoms reported 2,811 cases of forced disappearance between July 2013 when Sisi seized power and June 2016. Political dissent and organised protests are just some of the reasons why someone can be imprisoned, tortured and sent back again. We may not have to wait long to see the Egyptian people take to the streets again.

**Syria** – After more than half a decade of war 5 with what little remains of the country the final stand-off by the people of Syria will probably play out in Idlib. The fall of Aleppo was a major blow for the rebels and the peoples of Syria working to overthrow the regime. But despite being outgunned it will take anywhere between weeks to months for Bashar's forces to completely secure North Syria. This is since Bashar's army is severely depleted and currently foreign elements are what are allowing him to stay in the battle. Bashar will in all likelihood find in 2018 that victory was one thing, securing the country will be an entirely different matter. For the US, getting a political settlement will play out in 2018. With the ground facts pointing to the regime remaining the US will attempt to use this to force the rebel groups and Syrian people to accept a political transition with the regime, but until now the groups that matter have refused to attend such gatherings in Geneva, Vienna, Riyadh or Astana

**North Korea** – North Korea has tested a nuclear device and has publicly demonstrated its delivery capabilities. In 2018 Pyongyang will continue to develop its nuclear weapons program. It will soon be able to strike the U.S. mainland. Pyongyang has backed Washington into a corner. In 2018 its

likely North Korea will inch closer to a fully deliverable nuclear weapon and time is fast running out for the US to do something about this. The US appears to not want North Korea to have nuclear weapons, but neither does it want to launch the full-scale invasion that would be required to disarm it.

**Iran** - With the rebel groups suffering a severe blow in Aleppo Iran is on a high. Iran has played a central role in propping up Bashar al-Assad and in Iraq it was Iranian forces that organised the recapture of Mosul and the defeat of ISIS. Whilst the US needed Iran to keep al-Assad in power it has contributed to strengthening Iran who will want to play a role in the future of Syria as well as dominate the political transition in Syria. What will be interesting to watch in 2018 is does Iran use Syria to frustrate the US agenda or will it do what it did in both Iraq and Afghanistan and play a central role in the political of these countries but support US political plans rather than opposing them.



# Notes

---

<sup>1</sup> See, <https://ssi.armywarcollege.edu/pubs/display.cfm?pubID=1358>

<sup>2</sup> Trump says Russia relations may be at 'all-time low,' praises Tillerson trip, Fox News, 12 April 2017, <http://www.foxnews.com/politics/2017/04/12/trump-says-russia-relations-may-be-at-all-time-low-praises-tillerson.html>

<sup>3</sup> See, <https://www.theguardian.com/business/2016/dec/10/china-trade-war-trump-tariffs-exports>

<sup>4</sup> China Ready for 'Balanced Trade Environment' with United States, Breitbart Online, 7 April 2017, <http://www.breitbart.com/big-government/2017/04/07/steve-mnuchin-china-ready-for-balanced-trade-environment-with-united-states/>

<sup>5</sup> Trump Says U.S. 'Can't Afford' To Spend So Much On NATO, Radio free Europe, radio liberty Online, March 22<sup>nd</sup> 2016, <https://www.rferl.org/a/donald-trump-says-us-cannot-afford-spend-so-much-nato/27627522.html>

<sup>6</sup> Trump on NATO, I said it was obsolete, it's no longer obsolete, Washington Post, 12 April 2017, [https://www.washingtonpost.com/news/post-politics/wp/2017/04/12/trump-on-nato-i-said-it-was-obsolete-its-no-longer-obsolete/?utm\\_term=.a9e39282499d](https://www.washingtonpost.com/news/post-politics/wp/2017/04/12/trump-on-nato-i-said-it-was-obsolete-its-no-longer-obsolete/?utm_term=.a9e39282499d)

<sup>7</sup> Inside Trump's Hour-By-Hour Battle For Self-Preservation, New York Times, 9 December 2017, <https://www.nytimes.com/2017/12/09/us/politics/donald-trump-president.html>

<sup>8</sup> Is Pentagon Taking Over in Afghanistan? The real news, August 25 2017, <https://zcomm.org/znetarticle/is-pentagon-taking-over-in-afghanistan/>

<sup>9</sup> The New Great Game, Guardian, 20 October 2003, <https://www.theguardian.com/business/2003/oct/20/oil>

<sup>10</sup> See, <https://www.pressreader.com/canada/toronto-star/20090812/283326108366753>

<sup>11</sup> Seeing Green; The Red Menace Is Gone. But Here's Islam, New York Times, 1996, <http://www.nytimes.com/1996/01/21/weekinreview/seeing-green-the-red-menace-is-gone-but-here-s-islam.html>

<sup>12</sup> See, <http://www.futurebrief.com/project2020.pdf>

<sup>13</sup> Pakistan vows to help U.S. 'punish' attackers, CNN Online, 13 September 2001, <http://edition.cnn.com/2001/WORLD/asiapcf/central/09/13/pakistan.support/index.html>

<sup>14</sup> EXCERPTS-New US strategy on Afghanistan, Pakistan, Reuters, 27 March 2009 <http://uk.reuters.com/article/uk-afghan-whitepaper-sb/excerpts-new-u-s-strategy-on-afghanistan-pakistan-idUKTRE52Q42P20090327>

<sup>15</sup> Extracts from Bush's speech, BBC Online, 4 April 2002, [http://news.bbc.co.uk/1/hi/world/middle\\_east/1911665.stm](http://news.bbc.co.uk/1/hi/world/middle_east/1911665.stm)

---

<sup>16</sup> Obama Ponders Outreach to Elements of Taliban, New York Times, 7 March 2009 <http://www.nytimes.com/2009/03/08/us/politics/08obama.html>

<sup>17</sup> Deciphering Mullah Omar's Eid Message, Radio Free Europe, 2 September 2011 [https://www.rferl.org/a/deciphering\\_mullah\\_omar\\_message/24316153.html](https://www.rferl.org/a/deciphering_mullah_omar_message/24316153.html)

<sup>18</sup> U.S.-Iran Engagement Through Afghanistan, Middle East Policy Council, <http://www.mepc.org/us-iran-engagement-through-afghanistan>

<sup>19</sup> See, [https://csis-prod.s3.amazonaws.com/s3fs-public/legacy\\_files/files/publication/twq10januarydobbins.pdf](https://csis-prod.s3.amazonaws.com/s3fs-public/legacy_files/files/publication/twq10januarydobbins.pdf)

<sup>20</sup> India plans to train 30,000 afghan soldiers, The National, 3 December 2011, <https://www.thenational.ae/world/asia/india-plans-to-train-30-000-afghan-soldiers-1.599599>

<sup>21</sup> Top official says Chinese security depends on Afghan stability, reuters, 22 February 2014, <http://www.reuters.com/article/us-afghanistan-china/top-official-says-chinese-security-depends-on-afghan-stability-idUSBREA1L0D720140222>

<sup>22</sup> Ibid

<sup>23</sup> America could lose a war against North Korea, former US army commander says in leaked letter, Independent, 10 November 2017, <http://www.independent.co.uk/news/world/asia/us-troops-north-korea-lose-outnumbered-army-under-supplied-conventional-warfare-nuclear-a8047826.html>

<sup>24</sup> 'They Got Us,' Commentary Magazine Online, 17 August 2017, <https://www.commentarymagazine.com/foreign-policy/asia/north-korea/they-got-us-steve-bannon-north-korea/>

<sup>25</sup> Syrian opposition must accept it has not won the war, U.N. says, Reuters, 6 September 2017, <https://uk.reuters.com/article/uk-mideast-crisis-syria-un/syrian-opposition-must-accept-it-has-not-won-the-war-u-n-says-idUKKCN1BH1MM>

<sup>26</sup> Syria's civil war is over and Assad has won, says the UN, The Week, 6 September 2017, <http://www.theweek.co.uk/syrian-civil-war/88268/syria-s-civil-war-is-over-and-assad-has-won-says-the-un>

<sup>27</sup> The West might hardly believe it, but it now seems the Syrian war is ending – and Assad is the victor, Robert Fisk, Independent, 7 September 2017, <http://www.independent.co.uk/voices/syrian-war-ending-bashar-al-assad-won-robert-fisk-syria-middle-east-israel-british-troops-a7933966.html>

<sup>28</sup> See, <https://regnum.ru/news/2326370.html> (Russia)

<sup>29</sup> East Libya strongman visits Russian aircraft carrier in Mediterranean, Reuters, 11<sup>th</sup> January 2017, <http://www.reuters.com/article/us-libya-russia-haftar/east-libya-strongman-visits-russian-aircraft-carrier-in-mediterranean-ria-idUSKBN14V1T2>

- 
- <sup>30</sup> Why Russia might be working with its Cold War enemy, the Taliban, LATimes, 17<sup>th</sup> April 2017, <http://www.latimes.com/world/la-fg-afghanistan-russia-taliban-2017-story.html>
- <sup>31</sup> Russia's new role in Afghanistan, Deutsche Welle (DW), <http://www.dw.com/en/russias-new-role-in-afghanistan/a-19087432>
- <sup>32</sup> Chinese defence adviser says Djibouti naval facility is a much-needed 'military base,' South China Morning Post, 13 May 2017, [www.scmp.com/news/china/diplomacy-defence/article/2094194/chinese-defence-adviser-says-djibouti-naval-facility](http://www.scmp.com/news/china/diplomacy-defence/article/2094194/chinese-defence-adviser-says-djibouti-naval-facility)
- <sup>33</sup> Spain dissolves Catalan parliament and calls fresh elections, Guardian, 28 October 2017, <https://www.theguardian.com/world/2017/oct/27/spanish-pm-mariano-rajoy-asks-senate-powers-dismiss-catalonia-president>
- <sup>34</sup> See, <http://www.bis.org/publ/work483.htm>
- <sup>35</sup> See, <http://www.ronpaullibertyreport.com/archives/the-worlds-first-cashless-society-is-here-a-totalitarians-dream-come-true>
- <sup>36</sup> Gabriel Zucman, The Hidden Wealth of Nations, the scourge of tax havens, University of Chicago press, September 2015
- <sup>37</sup> Trump hammers America's 'worst trade deal,' 27 September 2016, <http://money.cnn.com/2016/09/27/news/economy/donald-trump-nafta-hillary-clinton-debate/>
- <sup>38</sup> Threat to Global Economic Growth, Bloomberg, 25 August 2017, <https://www.bloomberg.com/news/articles/2017-08-25/draghi-says-protectionism-is-a-threat-to-global-economic-growth>
- <sup>39</sup> Trump Threatens to 'Totally Destroy' North Korea in First U.N. Speech, NBC News, 21 September 2017, <https://www.nbcnews.com/news/us-news/trump-un-north-korean-leader-suicide-mission-n802596>
- <sup>40</sup> The Decline and Fall of the American Empire, A. McCoy, The Nation Online, December 2010, <http://www.thenation.com/article/decline-and-fall-american-empire/>
- <sup>41</sup> See, <https://ssi.armywarcollege.edu/pubs/display.cfm?pubID=1358>
- <sup>42</sup> US Military Capabilities and Forces for a Dangerous World, Rethinking the US Approach to Force Planning, RAND corporation, December 2017, [https://www.rand.org/pubs/research\\_reports/RR1782.html](https://www.rand.org/pubs/research_reports/RR1782.html)
- <sup>43</sup> Catherine Gwin, U.S. relations with the World Bank, 1945-1992, Published in 1994, (Brookings Occasional Papers) Brookings Institute
- <sup>44</sup> Stratfor, A Nuclear Umbrella in the Middle East? Geopolitical Diary report, July 2009
- <sup>45</sup> To Paris, U.S. Looks Like a 'Hyperpower,' NYT, February 1999, <http://www.nytimes.com/1999/02/05/news/05iht-france.t.0.html>
- <sup>46</sup> The Project for the New American Century founding Statement of Principles